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Canada, Banking and Commerce (Select-
" Standing Cttee on, 1930.

SESSION 1930

HOUSE OF COMMONS

47904
SELECT STANDING COMMITTEE

ON

BANKING AND COMMERCE

BILL No. 9—AN ACT TO AMEND THE COMPANIES ACT

MINUTES OF PROCEEDINGS AND EVIDENCE

No 1.—

THURSDAY, 3rd APRIL, 1930
TUESDAY, 8th APRIL, 1930
WEDNESDAY, 30th APRIL, 1930

WITNESSES:

(30th April)

Associate Professor Clifford Curtis, Department of Commerce, Queen's University, Kingston, Ont.

Mr. E. G. Long, K.C., Toronto, Ont.

Mr. B. Osler, K.C., Toronto, Ont.

Mr. G. S. Currie, Montreal, Que.

Mr. J. E. Day, K.C., Toronto, Ont.

Mr. F. W. Wegenast, Toronto, Ont.

Mr. F. Common, Montreal, Que.

Associate Professor Smails, Department of Commerce, Queen's University, Kingston, Ont.

OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1930



MEMBERS OF THE COMMITTEE

(F. WELLINGTON HAY, Esq., *Chairman*)

and

Messieurs

Allan,
Bennett,
Benoit,
Bertrand,
Bird,
Black (*Halifax*),
Bothwell,
Campbell,
Casgrain,
Cayley,
Chaplin,
Donnelly,
Dunning,
Ernst,
Fafard,
Geary,
Guerin,

Hanson,
Harris,
Hay,
Hepburn,
Irvine,
Jacobs,
Kaiser,
Ladner,
Lang,
McIntosh,
McPhee,
McRae,
Manion,
Matthews,
Mercier (*St. Henri*),
Odette,
Perley (*Sir George*),

Pettit,
Raymond,
Rinfret,
Robinson,
Robitaille,
Ross (*Moose Jaw*),
Rutherford,
Ryckman,
Sanderson,
Smoke,
Spencer,
Steedsman,
Stevens,
Vallance,
Ward,
Young (*Weyburn*)—50.

JOHN T. DUN,
Clerk of the Committee.

ORDERS OF REFERENCE

APPLICABLE TO BILL NO. 9, AN ACT TO AMEND THE COMPANIES ACT

HOUSE OF COMMONS,

TUESDAY, 4th March, 1930.

Resolved,—That the following members do compose the Select Standing Committee on Banking and Commerce:—

Messieurs: Allan, Bennett, Benoit, Bird, Black (*Halifax*), Bothwell, Brown, Casgrain, Cayley, Chaplin, Donnelly, Dunning, Ernst, Fafard, Geary, Guerin, Hanson, Harris, Hay, Hepburn, Irvine, Jacobs, Kaiser, Ladner, Lang, McIntosh, McLean (*Melfort*), McPhee, McRae, Manion, Matthews, Mercier (*St. Henri*), Odette, Perley (Sir George), Pettit, Raymond, Robinson, Robitaille, Ross (*Moose Jaw*), Rutherford, Ryckman, Sanderson, Smoke, Spencer, Steedsman, Stevens, Vallance, Ward, Woodsworth, Young (*Saskatoon*)—50.

(Quorum 15)

Attest.

ARTHUR BEAUCHESNE,

Clerk of the House.

Ordered,—That the Select Standing Committee on Banking and Commerce be empowered to examine and inquire into all such matters and things as may be referred to them by the House; and to report from time to time their observations and opinions thereon, with power to send for persons, papers and records.

Attest.

ARTHUR BEAUCHESNE,

Clerk of the House.

MONDAY, 10th March, 1930.

Ordered,—That the name of Mr. Bertrand be substituted for that of Mr. Brown on the said Committee.

Attest.

THOS. M. FRASER,

for Clerk of the House.

THURSDAY, 20th March, 1930.

Ordered,—That the name of Mr. Young (*Weyburn*) be substituted for that of Mr. Young (*Saskatoon*) on the said Committee.

Attest.

THOS. M. FRASER,

for Clerk of the House.

THURSDAY, 20th March, 1930.

Ordered,—That the following Bill be referred to the said Committee:—
Bill No. 9, An Act to amend the Companies Act.

Attest.

THOS. M. FRASER,

for Clerk of the House.

MONDAY, 24th March, 1930.

Ordered,—That the name of Mr. Campbell be substituted for that of Mr. Woodsworth on the said Committee.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

WEDNESDAY, 2nd April, 1930.

Ordered,—That the name of Mr. Rinfret be substituted for that of Mr. McLean (*Melfort*) on the said Committee.

ARTHUR BEAUCHESNE,
Clerk of the House.

WEDNESDAY, 30th April, 1930.

Ordered,—That the said Committee be given leave to sit while the House is sitting.

That 500 copies in English and 250 copies in French of proceedings and evidence which may be taken by the said Committee be printed, as required, and that Standing Order 64 be suspended in relation thereto.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

REPORTS OF THE COMMITTEE

APPLICABLE TO BILL NO. 9, AN ACT TO AMEND THE COMPANIES ACT

FIFTH REPORT

WEDNESDAY, April 30, 1930.

The Select Standing Committee on Banking and Commerce beg to present the following as their

FIFTH REPORT

Your Committee recommend,

1. That your Committee be given leave to sit while the House is sitting.
2. That 500 copies in English and 250 copies in French of proceedings and evidence which may be taken by your Committee be printed, as required, and that Standing Order No. 64 be suspended in relation thereto.

F. WELLINGTON HAY,
Chairman.

(Fifth Report Presented to the House on 30th April, 1930, and Concurred in the same day.)

MINUTES OF PROCEEDINGS

ROOM 429, HOUSE OF COMMONS,
THURSDAY, April 3, 1930.

The Select Standing Committee on Banking and Commerce met at 11 a.m.

Members present: Messrs. Allan, Bird, Bothwell, Campbell, Casgrain, Cayley, Chaplin, Donnelly, Ernst, Fafard, Geary, Hanson, Irvine, Kaiser, Perley (Sir George), Pettit, Raymond, Rinfret, Ryckman Sanderson, Smoke, Spencer, Stevens.

In attendance: Mr. Thomas Mulvey, K.C., Under Secretary of State, and Mr. O'Meara, Solicitor, Companies Branch, Department of Secretary of State.

In the absence of the Chairman (Mr. Hay), and on motion of Mr. Bird, Mr. Allan was elected Acting Chairman.

Mr. Allan took the Chair.

BILL NO. 9, AN ACT TO AMEND THE COMPANIES ACT

Mr. Rinfret, Secretary of State, suggested that the non-contentious sections might be adopted forthwith.

Sections 1 and 2 carried.

Section 3. On motion of Mr. Hanson, the word "five" in line 5 of the section was deleted, and "three" was substituted. Section 3 carried, as so amended.

Section 4 carried.

Sections 5 and 6 stood over.

Sections 7, 8 and 9 carried.

Section 10. On motion of Mr. Casgrain, the words "or on public grounds, or otherwise, objectionable" were deleted from lines 8 and 9 of the section, and the words "or otherwise on public grounds objectionable" was substituted. Section 10 carried, as so amended.

Section 11 stood over.

Sections 12 and 13 carried.

Notice of Motion.

Mr. Campbell gave notice of motion, as follows:—

That Bill No. 9 be amended by adding the following sections after sections 13 and 37, respectively:—

13a. Section thirty-one is repealed, and the following is substituted therefor:—

31. (1) All powers given to the Company by letters patent or supplementary letters patent shall be exercised subject to the provisions and restrictions contained in this Part, *but such powers shall only be exercised and carried on in the pursuit of its objects by the company in conformity with provincial legislation of general application validly enacted by the province or provinces in which such company may operate or seek to operate.*

(2) *No powers as given to the company shall be construed to confer power upon any company to interfere with, prevent or control provincial legislation establishing a provincial hydro-electric system in the public interest.*

37a. Section one hundred and fifty-six is amended by adding the following subsections thereto:—

(2) Every company incorporated by the Parliament of Canada by Special Act shall only exercise its powers and carry on business in pursuit of its objects in conformity with provincial legislation of general application validly enacted by the province or provinces in which such company operates or seeks to operate.

(3) No Special Act shall be construed to confer power upon any company to interfere with, prevent or control provincial legislation establishing a provincial hydro-electric system in the public interest.

Section 14 stood over.

Section 15 carried.

The Committee adjourned until Tuesday, 8th April, at 11 a.m.

JOHN T. DUN,
Clerk of the Committee.

ROOM 429, HOUSE OF COMMONS,
TUESDAY, April 8, 1930.

The Select Standing Committee on Banking and Commerce met at 11 a.m. Mr. Hay, the chairman, presided.

Members present: Messrs. Benoit, Bertrand, Bothwell, Campbell, Casgrain, Cayley, Donnelly, Ernst, Geary, Hanson, Hay, Irvine, Kaiser, Lang, McPhee, Odette, Pettit, Robinson, Ross (Moose Jaw), Sanderson, Smoke, Spencer, Steedsman, Vallance.

In attendance: Mr. Finlayson, Superintendent of Insurance. Mr. Mulvey, Under Secretary of State. Mr. O'Meara, Solicitor, Companies Branch, Department of Secretary of State.

BILL No. 45, IMPERIAL TRUSTS COMPANY OF CANADA

Preamble adopted.

Sections 1, 2 and 3 carried.

Ordered, to report the Bill without amendment.

BILL No. 9, AN ACT TO AMEND THE COMPANIES ACT

Consideration was resumed.

Sections 16 and 17 carried.

Section 18 stood over.

Section 19 carried.

Section 20 stood over.

Sections 21, 22 and 23 carried.

Section 24 stood over.

Section 25 carried.

Section 26. On motion of Mr. Casgrain, the following words were appended: "Provided no proceeding shall be taken under this section without the consent in writing of the Secretary of State." Section 26 carried, as so amended.

Section 27. On motion of Mr. Geary, line 5 of the section was amended by inserting after "corporation of which he is an officer" the words "or director." Subsection 2(b) was, at the suggestion of Mr. Mulvey, amended by deleting all the words after "declaration" in the seventh line of 2(b), and substituting

therefor the following: "showing that he is qualified for election or appointment as a director in accordance with the provisions of subsection one of this section." Section 27 carried, as so amended.

Section 28 carried.

Sections 29 and 30 stood over.

Sections 31 and 32 carried.

Section 33. On motion of Mr. Hanson, the word "nineteen" was deleted, and "eighteen" substituted therefor. On motion of Mr. Casgrain, "119A" in the fourth line of the section was changed to "119." Section 33 carried, as so amended.

Sections 34, 35 and 36 stood over.

Sections 37, 38 and 39 carried.

Section 40 stood over.

NOTICE OF MOTION

Mr. Kaiser gave notice of motion that he would move that subsection (u) of section 14 be deleted.

On motion of Mr. Irvine, it was ordered, That Dr. Curtis, Department of Commerce, Queen's University, Kingston, Ont., be summoned to attend the next meeting of the Committee.

The Committee adjourned until Wednesday, April 30, at 10.30 a.m.

JOHN T. DUN,
Clerk of the Committee

WEDNESDAY, April 30, 1930.

The Select Standing Committee on Banking and Commerce met at 10.30 a.m. Mr. Hay, the chairman, presided.

Members present: Messrs. Benoit, Bertrand, Black (Halifax, Bothwell, campbell, Casgrain, Donnelly, Fafard, Geary, Guerin, Hanson, Hay, Irvine, Kaiser, Lang, McIntosh, Mercier (St. Henri), Odette, Perley (Sir George), Pettit, Rinfret, Robitaille, Sanderson, Smoke, Spencer, Young (Weyburn),

In attendance: Mr. Finlayson, Superintendent of Insurance. Mr. Mulvey, Under Secretary of State. Mr. O'Meara, Solicitor, Companies Branch, Department of Secretary of State. Dr. Curtis, Queen's University, Kingston, Ont. Dr. Curtis was summoned to attend.

BILL NO. 46, PREMIER LIFE INSURANCE COMPANY

Preamble adopted.

Section 1. On motion of Mr. Mercier (St. Henri), lines 8 and 9 of the section were amended by deleting "The Premier Life Insurance Company" and substituting therefor the words "Consolidated Life Insurance Company of Canada." Section 1 agreed to, as so amended.

Sections 2, 3, 4, 5, 6, 7 and 8 carried.

Title to be changed.

Ordered, To report the Bill with an amendment.

BILL NO. 52, MERCHANTS' AND EMPLOYERS' INSURANCE COMPANY

Preamble adopted.

Section 1. On motion of Mr. Mercier (St. Henri), lines 12 and 13 of the section were amended by deleting "The Merchants' and Employers' Insurance Company" and substituting "Consolidated Fire and Casualty Insurance Company." Section 1 carried, as so amended.

Sections 2, 3, 4, 5, 6, 7 and 8 carried.

Title to be changed.

Ordered, To report the Bill with an amendment.

BILL NO. 9, AN ACT TO AMEND THE COMPANIES ACT

Consideration was resumed.

On motion of Mr. Irvine, it was ordered that Assistant Professor Smails, Queen's University, Kingston, Ont., be summoned to give evidence, and that he attend before the Committee to-day.

Associate Professor Clifford Curtis, Department of Commerce, Queen's University, Kingston, Ont., present in answer to summons, was called, sworn, heard and examined. Witness retired.

On motion of Mr. Hanson,

Resolved.—That the Committee request permission to print 500 copies in English and 250 copies in French of proceedings and evidence taken by the Committee.

Mr. Mulvey, Under Secretary of State, addressed the Committee in reply to the arguments advanced by Associate Professor Curtis.

On motion of Mr. Geary that representations from other outside sources be now heard, the following gentlemen were severally sworn and heard, viz:

Mr. E. G. Long, K.C., Toronto, Ont.

Mr. B. Osler, K.C., Toronto, Ont.

Mr. G. S. Currie, Montreal, Que.

Mr. J. E. Day, K.C., Toronto, Ont.

Mr. F. W. Wegenast, Toronto, Ont.

Mr. F. Common, Montreal, Que.

Associate Professor Smails, Department of Commerce, Queen's University, Kingston, Ont., summoned as a witness, was called, sworn, heard and examined. Witness retired.

The Committee adjourned at 1.05 p.m. until 4 p.m.

The Committee reassembled at 4 p.m.

Members present: Messrs. Allan, Benoit, Bertrand, Bothwell, Campbell, Cayley, Fafard, Geary, Guerin, Hanson, Hay, Hepburn, Irvine, Kaiser, Mercier (St. Henri), Odette, Perley (Sir George), Pettit, Rinfret, Robitaille, Ryckman, Sanderson, Young (Weyburn).

Associate Professor Curtis was recalled and further examined. Witness discharged.

Mr. F. Common of Montreal, Que., was again heard.

Section 29. At the suggestion of Mr. Mulvey:—

(a) lines 7, 8 and 9 of the section were amended by deleting the words "by the shareholders present and representing at least a majority in value of the shares of the company";

(b) lines 10 and 11 of the section were amended by deleting the words "and approved by the Secretary of State";

(c) lines 17, 18, 19 and 20 of the section were deleted.

Section 29 carried, as so amended.

Section 14. The Committee considered the motion of Mr. Kaiser for the deletion of subsection (u). Further consideration will be given. Motion stood over.

Section 24 carried.

Associate Professor Smails was discharged from further attendance.

The Committee adjourned until Tuesday, 6th May, at 10.30 a.m.

JOHN T. DUN,
Clerk of the Committee

MINUTES OF EVIDENCE

COMMITTEE ROOM 429,
HOUSE OF COMMONS,
APRIL 30, 1930.

The Select Standing Committee on Banking and Commerce met at 10.30 a.m., the Chairman, Mr. F. Wellington Hay, presiding.

CLIFFORD CURTIS, called and sworn.

By the Chairman:

Q. What is your title at Kingston?—A. I am Associate Professor of Commerce. I would like to point out that what I have to say deals with only two subsections of Bill 9, and that it is in no way a criticism of the principle of no-par shares, which I wish to acknowledge to be a very sound and I think praiseworthy part of corporation finance. The point I am making is that I am objecting only to two subsections and not to the principle of no-par shares.

Section 6 proposes to amend Section 9 (1) of the Companies Act so as to permit the issuance of stock without par value, having a preference as to principal.

In the first place, it should be made clear that no-par stock preferred as to dividends only, may be issued under the present Companies Act (Section 9). Therefore, the amending section, referred to above, must be intended primarily to deal with stock preferred as to assets.

The intent and purpose of a share of no par value is to require a share of stock to be treated and represented as a mere evidence of an aliquot part or divisional interest in the assets and earnings of the corporation issuing it. I respectfully submit, therefore, that to attach a redemption value to such a share is to defeat this purpose and to invite misunderstanding on the part of the investor. Such misunderstanding would result whenever the actual value of the share differed from the liquidation value stated on the face of the certificate.

By Mr. Hanson:

Q. That is, if the liquidation were less you think there would be misunderstanding.—A. Or if more, either way.

When a stock is preferred as to principal the holders of this stock have a prior claim over the common stock, and on liquidation must be paid the full amount of the preference before the common shareholders receive anything. It is necessary, therefore, that the purchaser of preferred stock know the amount of the preference, that it be fixed and legally immutable from the date of issue, and that the stock certificate should, therefore, state the amount of the preference. If the Act should authorize no-par stock, preferred as to principal, some provision ought to be inserted for the determination of the amount of preference. If this amount be less than the issue price the preferred shareholder would be contributing to the liquidation value of the common shares.

Q. Do you know of any case where that has happened?—A. We have not had many liquidation cases yet. If the amount of preference be larger than the issue price, which is the condition to be expected, then in case of liquidation, part of the common shareholders' contribution would be used to cover the difference between the amount which the preferred shareholder paid for

the share, and that which he is legally entitled to receive. Either of these alternatives present accounting and statistical difficulties. For instance if the liquidation value differs from the amount placed in the capital account, how would the book value of the common stock be ascertained? From this it follows that if no-par stock, preferred as to principal, is to be properly safeguarded in the interests of all parties, it should be required that the preference be the issue price of the stock. From a viewpoint of equity to all parties this conclusion can hardly be questioned.

Now if such necessary requirement be made, it follows that preferred shares of the same company sold at different prices, would have different liquidation values, and different prices in the market. Obviously an investor buying a preferred stock in the market would not pay as much for a share with a preference of \$50 as for one with a preference of \$75, provided both shares carry the same dividend. Accordingly the different allotments will tend to be distinct and separate in the market, and will be, to all intents and purposes, distinct issues. As different issues of par preferred stock may, under the present Act, be sold at various prices, the unescapable conclusion is that the proposed section (1), if properly safeguarded, will confer no privilege on a company which it does not already possess.

I would submit, therefore that if the present amending section stand as now proposed there will be room for all sorts of difficulties and sharp practices at the expense of the investor. If, however, some such safeguards as here suggested are inserted to protect the investor, then the net result is that companies will be allowed to do precisely that which they are allowed to do under the present Act.

It will probably be said, in support of the Bill, that some jurisdictions, including the Province of Ontario, have allowed the use of no-par stock preferred as to principal, without the suggested safeguards and that no difficulties have arisen. It ought, however, to be kept in mind that the Ontario provision dates from 1924, and since that date Canada has not been through a liquidation period. The real test will come when the country encounters a period of difficulty with many liquidations. As yet insufficient time has elapsed to bring out the difficulties, financial and legal, of no-par stock, preferred as to principal, and the experience of such recent statute therefore cannot be fairly used.

My conclusion, then, is, Sir, that the principal of no-par stock is inconsistent with shares preferred as to principal.

2. (*Capital of a Company Organized with No Par Shares*)

Now to consider Section 9 (6) and (8) as proposed by Section 6 of the Bill. It is my view that these sections would affect the security of both shareholders and creditors.

Hitherto by Section 9 (7) of the present Act a company has been required to place in capital account the whole of the consideration received for the issue of shares of no par value. Amounts placed to the capital fund are non-withdrawable and so a company could declare dividends only out of profits.

These requirements protected creditors by assuring them that the proprietors of the company should always have a substantial fixed and ascertainable amount at stake in the enterprise. They protected shareholders by ensuring that any dividends paid would represent profits over and above the amount invested, and could not consist of a return of capital previously invested.

The proposed Section 9 (6) apparently empowers the directors of a company either by simple resolution or by amendment of letters patent to utilize any part of the issue consideration for dividend purposes and to retain as capital as much or as little as they please. They may declare, for example, that of the \$60. received for a share of no-par value, \$59. shall go to surplus

and \$1. to capital. It is *not* a matter of indifference to the creditor whether the proceeds of sale of shares is treated as capital or surplus. To argue otherwise is to deny the validity of the principle underlying all limited liability company legislation from 1853 to date. This principle calls for the obligatory impounding of contributed capital as a fund for the security of creditors.

For illustration suppose we take two companies A and B each with a net worth of \$10,000,000.

That of A is in the form:

Capital	\$9,000,000
Surplus	1,000,000

That of B is in the opposite form:

Capital	\$1,000,000
Surplus	9,000,000

The members of each company have *at the moment* an equal amount at stake. But by simple resolution the directors of either company can at any moment distribute the whole of the surplus of the company as dividends. The stake of Company A shareholders cannot however be reduced to less than \$9,000,000 by this procedure; whereas that of Company B shareholders can be reduced to \$1,000,000. Obviously the inalienable security enjoyed by creditors of A is better by \$8,000,000 than that enjoyed by creditors of B. So much for effect on the creditor's security.

From the point of view of the shareholders the proposed Section 9 (6) deprives him of the assurance, which he enjoys at present, that the dividend cheque he receives is a share of profits and not a camouflaged return of capital invested. Nor is this criticism met by the claim that the shareholder could discover by examination of the financial statements, and letters patent of his company, the actual character of his dividend. Many published financial statements are so condensed that the source of the dividend is not ascertainable from them.

Section 9 (8) as proposed apparently provides a procedure for making retroactive the provisions of Section 9 (6), which has just been discussed. A company which, since, say, 1924, has shown a capital fund of \$1,000,000 in its balance sheet is now by resolution of the shareholders and with the consent of the Secretary of State to have power to reduce its capital to say, \$100,000 and to return to shareholders in the form of dividends the remaining \$900,000 originally contributed. Reduction of share capital involving the repayment of paid-up capital without compliance with the safeguards of Sections 61-65 of the present Act is thus permitted. Creditors have no right to be consulted nor are any automatic safeguards provided for their protection. The creditors' sole legal security is the discretion of the Secretary of State in deciding on—I quote the bill—"the expediency and bona fide character" of the reduction.

Is it not arguable, then, that if this section becomes law the government will be under a moral obligation to assume liability for any loss resulting to creditors from the exercise of discretion?

The object of section 9 (6) and (8) is apparently to enable a limited liability company to embark on its career with a distributable surplus. I submit, sir, that this object, no matter how desirable in itself, should be abandoned if it can be attained only by legislation which is inconsistent with the root principle of limited liability.

The CHAIRMAN: Gentlemen, we have Professor Smailes here, and I think he may be able to answer some questions as you go along, with the different clauses that we have yet to deal with. Professor Smailes may be able to add, or if you prefer, you may submit your questions to Professor Curtis.

Mr. GEARY: He has been good enough to draft a lot of questions; why not ask them now?

Mr. HANSON: I am impressed with what Professor Curtis has said.

The CHAIRMAN: What do you say as to having this evidence printed?

Mr. HANSON: I move that we ask leave to have this printed.

The CHAIRMAN: How many in English and French?

Mr. IRVINE: The usual number.

The CHAIRMAN: 500 in English, and 250 in French.

Motion agreed to.

Mr. IRVINE: Mr. Chairman, seeing that Professor Curtis and Professor Smailes are collaborating in this matter, I think we ought to hear Professor Smailes either immediately, or after the questions that are to be asked Professor Curtis.

The CHAIRMAN: I have just asked Professor Curtis, and he said he thought Professor Smailes might be left to answer questions on accounting matters that might come up a little later.

Mr. IRVINE: I was just going to suggest that the Professor might elaborate a little more on some of the things he said, and perhaps we could bring it out better by questions. I want to ask a very elementary question, to get a little more explanation on the difference between stock preferred as to principal and preferred as to assets.

The CHAIRMAN: Probably there are some parts of the bill that should be explained by the Department. That might clarify the matter. We have the Minister here; also Mr. Mulvey.

Mr. IRVINE: Mr. Chairman, I think it would have been better to have had the Minister, or some other advocate of the amendment, to state exactly what the reason for the amendment was, and what the object to be gained was supposed to be.

Mr. HANSON: Mr. Mulvey is here for that.

The CHAIRMAN: We have already passed a great many sections, and we have carried some with amendments. We have left over sections 5, 6, 11, 14, 18 and so on.

Mr. MULVEY (Under Secretary of State): This amendment, provided for in Section 6, is not put forward by the Department itself. There have been a large number of requests however, to the Department for it, and the Department has incorporated it into this proposed bill.

Sir GEORGE PERLEY: That means it has the approval of the Department.

Mr. MULVEY: Quite so. Now, no par shares is really the logical method of dealing with company shares, because, as a matter of fact, when a value is placed upon a share certificate, it is a misrepresentation because, at no time does the certificate itself exactly comply with the statement which is upon it. As to value of the assets, it goes up and down, the value fluctuates all the time, so that no par, which is the divisible portion of the value of the total assets, is the real statement of what the shares are worth. That is to say, what appears from the balance sheet. Now this method was advocated for a great many years. It was adopted in the state of New York in 1912, and adopted by the Amending Act of 1917. There were some slight changes made in 1924, but the whole method of modern finance has been changing and going on in a most complicated way, so it was necessary that the Companies Act that we have here, should be brought up to date so as to be an instrument capable of filling the financial necessity of the time being.

Mr. HANSON: That is exceptional.

Mr. MULVEY: Now, it has been found in many quarters, that preferred shares, without par value are an advantage. I do not agree with Professor Curtis's statement in any respect whatever, and I am inclined to think that the purpose is not in the back of his mind, when he made the remarks that he did.

Mr. IRVINE: Would you kindly repeat that? I did not get the significance—what is back of the Professor's mind?

Mr. MULVEY: I say, some things back of the Professor's mind, which are not in accordance with financial dealings.

Mr. IRVINE: Making that plain.

Mr. MULVEY: It is very difficult to go into the precise effect, and precise meaning of these provisions without having a balance sheet before you, and without knowing exactly the position of the company which is going to take advantage of these provisions. In order to make it plain, I can give a couple of simple examples which I think will explain the necessity of this provision. Take a company that is going to exploit an invention: there are many of them carrying on with very sanguine hopes, and a great deal of hard work behind them, all that kind of thing. We will suppose that such a company is incorporated, we will say, with 300,000 shares, no par value, preferred, and a certain amount of common. We will say that in the commencement \$100,000 is raised by the issue of some of the preferred shares, and the promoters believe that they will perfect the invention and get the company going. The majority, of course, of the common shares, are allotted to the inventor for his invention. Business goes along for a while, and they find their expectations fail. They cannot get the invention manufactured for \$100,000, and they have to get more money. The natural method of doing this is selling more shares, but they cannot sell their shares for \$1 each because they have not that value. They go to people who have faith in the concern and they say "We have sold 100,000 shares for \$100,000, come in on this and we will let you have 100,000 shares for \$75,000." In that case they will have received 100,000 shares for \$75,000 and if the company goes on, will receive dividends on \$100,000. If the company could do that, it would be saved from ruin. However, it goes on and again they fail to come up to expectations, but they still have hope, and they sell more shares for \$50 on the understanding that the investor gets a one dollar share. It is perfectly legitimate but the law should provide for such a case. I have given a simple example to you, but there are many complicated methods, and the purpose of the section was to cover that. There is no extra issue, and there is no calculation regarding divisible amount of capital pertaining to those shares. Of course, the company might have acted differently. They could have, instead of issuing more shares at a reduced rate, made a new issue and there are other methods.

Mr. CAMPBELL: Would it not be the same under no par? If the shares were sold at less than previous?

Mr. MULVEY: But the liquidation will be at the rate at which the issue is made. Under the law, shares of par value must be sold for par. It is illegal to sell them otherwise.

Mr. HANSON: In some jurisdictions you can sell for less than par with the consent of the shareholders; for instance under the New Brunswick Act.

Mr. MULVEY: You cannot under this act. There is provision by which discount might be allowed.

The CHAIRMAN: I notice we have counsel, some representing the Montreal Board of Trade and interests in Toronto. I would suggest that if there are

some questions they desire to ask, if they will make a memorandum, then later they can ask these questions through a member of the committee or the chairman. I have no doubt that the committee will be agreeable to have these questions asked directly of the witness.

Mr. MULVEY: I said at the commencement that this provision is introduced at the request of a number of financial gentlemen, and I should be glad, Mr. Chairman, if you would call upon Mr. Long of Toronto.

The CHAIRMAN: I think it will be for the committee to say.

Mr. GEARY: Will you make it clear in our minds what you mean by selling stock at \$75 or \$50; is that treasury stock?

Mr. MULVEY: Yes. I mean stock of the company. But there is one thing I overlooked in answer to Professor Curtis. I think he quite properly refers to the provision in the Act which post-dates the provision for the accumulation of a surplus. That section should be amended; it should not go as it is. As a matter of fact, there are a number of companies that carry on their business with the expectation that this clause would go through and it should be limited to those, and in their annual statements it should be provided that the surplus be put forward in this way.

Mr. IRVINE: To whom do you refer, Mr. Mulvey, when you say this amendment was suggested by financial men? What do you mean by financial men?

Mr. MULVEY: As a matter of fact, what I should have stated is that those representations came from lawyers who had clients promoting and dealing with companies that required these provisions. The ultimate request comes from financial gentlemen, and they are gentlemen who are promoting companies and dealing with company shares.

Mr. IRVINE: Really, the requests come from promoters. We have to distinguish between promoters and financial men. For instance, I am a financial man, but I do not promote anything.

Mr. MULVEY: Promoters are usually financial men.

Mr. GEARY: Mr. Chairman, we seem to be reversing the ordinary procedure by hearing those against the section rather than those who are justifying it. We had Mr. Mulvey's explanation, and we have heard Professor Curtis. If there is anything further to be said for the section, I suggest that we hear it now. If not, and there is any objection to it, I would move that the committee hear the other gentlemen. I think Mr. Long was mentioned, and there are a great many gentlemen here who desire to say something, I should judge, rather against the contention of my learned friend over here.

The CHAIRMAN: Let us start with Section 5, and see if we can get a common ground, and then go on with the sections.

Mr. MULVEY: We cannot discuss Section 5 now because there are other sections to be considered which will affect it, and it will be the last section we will deal with.

Mr. HANSON: This section 6 is very important. We have a number of legal gentlemen here connected with the financial world, and I think we had better hear those who are for the section.

The CHAIRMAN: Would you suggest that the committee hear Mr. Long of Toronto?

Mr. HANSON: I suggest we hear Mr. Long, or any gentleman who is for this section, and later hear the others who are against.

E. G. LONG, K.C., called and sworn.

Mr. IRVINE: Before Mr. Long begins I would like to know who he is, what his interests are and whom he represents, whether financial gentlemen or promoters.

The WITNESS: Mr. Chairman and gentlemen, it is a little difficult to deal with what Professor Curtis has mentioned in his remarks without having any preparation on them, and without having a copy of what he had to crystalize his views. There are several ways of looking at no par value, and section 9, as it is now, practically covers the basis of no par stock. Professor Curtis says that it is comparatively new, and that there has not been very much decision, if any, by our courts on the meaning of it. So far as the stress of liquidation is concerned, I compliment Professor Curtis when he says he has not heard of any liquidation that has taken place since no par value stock came into vogue, because others have stressed the peculiar varying interest and value. The object of no par stock was to facilitate the financing of companies.

Mr. IRVINE: How does it do that? Will you carry out the explanation of that?

The WITNESS: One feature of that was that under the English law, and under practice, with par value stock, you had to have a hundred dollars assets against a hundred dollar debit when you issued one share of par value stock. Now, as Mr. Mulvey has said—and there is no question about it—one thing you are sure of is that the stock marked at \$100 is never worth exactly \$100. Therefore, when you come to finance and find that you have not got \$100 for each par value share of stock, you find companies embarrassed, particularly by future issues. You make an issue to-day, and you may be able to get \$100 par value. Next month, or a year later, if you need more capital, the market value of your stock is not worth \$100, but you must get \$100 according to the law, if you are going to sell it. What are you going to do then?

From the other point of view, a share of stock represents an interest, an aliquot part of that share in relation to all other shares in the assets of the company. If there are 1,000 shares and I own 10, I have ten-one-thousandth interest in that company. The no par value was developed and has been found very useful during the time it has been in force in the United States, and Canada is not giving flexibility to companies in the matter of market conditions when they come to get capital. If I have no par value stock I go into the market and say "this stock is worth \$25 a share, we will sell it for that." In a year from now we need more capital, and sell for \$35 a share, having been more successful. If it had not been quite so successful, and the public is still willing to buy, they sell it for \$20 a share. In other words, the flexibility of value enables them to meet the market value when they go into the market for funds. Now, there is no question, I take it, as to the advisability of no par value stock. If you take it, as Professor Curtis would seem to indicate, that all capital must be no par stock and no preference stock, and you give them no par value common, and par value preferred, it seems to me it is a contradiction in terms to say that \$100 par value is all right; either preferred with some common, no par, and you deny putting no par value stock with a preference stock of so many dollars which is specifically mentioned when your charter is granted. Under the Act, and under practice also, if you have no par stock with the preference as to assets, that condition must appear first in the letters patent, which is a public document, and next, it must appear in your certificate, so that nobody buying a share, is under any misapprehension because the conditions of the preference appear plainly on the certificate for everybody to see. So far as the accounting practice goes, it is hard to say the practice is absolutely universal, but I would say, in properly run companies and under proper accounting practice, the debit against the no par stock, that is the preference, that the capital is carried out on the capital side of your ledger in the amount or measure of that preference. Now, what objection is there to the no par share having attached to it this statement; if the company is wound up or dissolved, the owner of a share will get \$25 before the common stock

SELECT STANDING COMMITTEE

holder gets anything. There is no objection, apparently, and has not been since the Companies Act, to saying that the owner of \$100 par value will get \$100 before the common stock gets anything, and I fail to see the difference between saying he would get \$25, which is alleged to be bad, and saying he will get \$100, which is admitted to be good when in each case everything that pertains to the capital structure is obvious, not only to the shareholders, but also to the creditors.

By Mr. Irvine:

Q. Will you explain a little more fully what would be the object of the preferred stock? You have explained the object of the no par value stock; would you explain the advantage to the company of issuing preferred stock?—A. The object of the preferred is to enable the company to get money from investors who want to feel sure, or reasonably sure, that the money they contribute will come to them first ahead of the common shareholders who are willing for that reason to take a fixed dividend, 7 per cent preferred or 6 per cent preferred. These people know, first of all, that that dividend is a first charge on the earnings. They know if the company fails or goes into liquidation or winds up or dissolves, they come in first on the assets, and for that reason there is a large section of the investing public that likes preferred stocks, and when you find them issued by a seasoned company, they are a first-class investment.

By the Chairman:

Q. And could that preferred be paid out of the capital of the company provided that there were no earnings?—A. Oh, no, the preferred only comes when the assets of the company are distributed, and that distribution takes place in one or two ways: the company goes out of business through liquidation, or it winds up voluntarily.

By Mr. Geary:

Q. Fixed charges come first and mortgages afterwards?—A. Yes, because the preferred shareholder is the proprietor in the enterprise. He is not a creditor of it. The chief advantage of the no par stock is that same flexibility. Let a company say that this no par stock will get \$25 a share on a wind-up or distribution of assets, let it get \$30, let it get \$35, let it go at whatever the people who are financing consider to be the soundest method of attracting investors in a fair way to put their money into the company, it is the most common knowledge that investors and companies who put their securities out are benefited when you get their shares down to a moderately small value. You will have a better market. You will have more people buy Ford shares at \$25 a share than you will when they were selling at \$700; and if the company is sound it is advisable to give investors an opportunity to put their money into companies, and not to limit good companies to men of wealth who can afford to pay \$500 or \$600 for a share instead of a little man who has made a small saving and cannot pay more than \$25 or \$30 or \$40 a share. There is another reason why no par value stock has been so popular and so helpful from both ends, to the company that sells it and to the investor who puts his money into it. As far as the creditor is concerned, the creditor lends money or supplies goods to the company, if he has any judgment at all, only after he has seen what the financial position of the borrower is going to be. Now, that is ascertainable just as much with no par shares—just as much with no par preference shares as any other capital set-up you can make. He comes ahead of the proprietary interests represented by share capital. And that brings you to the question that Professor Curtis raised as to this allocation of a certain number of dollars you get in as

between capital and distributable surplus. One of the reasons why that was suggested by Mr. Mulvey when this bill came up, and has been suggested more than once, because the bill in this somewhat similar form has come up more than once, and has not got quite as far as the Royal Assent, you frequently find this state of affairs: there is an existing company that has a paid up capital and it has an accumulated surplus for any one of a thousand reasons, and it desires to reincorporate. At the present time a purchasing company that buys that business has to crystallize into fixed capital what was capital and surplus of the original companies. That is, Company A has a million dollars of capital paid up and \$500,000 surplus; Company B wants to buy it and pays for it by giving its own shares; it seems unfair that Company B cannot put into its own books the same situation as Company A, namely, one million dollars permanent capital and \$500,000 of distributable surplus. That is one of the reasons, Mr. Mulvey, that we do urge as a reason for allowing that company to declare so many dollars of fixed, irremovable capital and so many dollars of surplus. Now, who is affected by that? First, take a company that either takes over another company or a company that goes to the public for funds on a new enterprise—two classes are interested, the shareholders and the creditors. Now, that company takes over a timber limit and goes to the public and has one million dollars of no par shares. It says, when they get that money, "We will make that \$800,000 capital and \$200,000 surplus, distributable surplus." It deals with its shareholders to start with. They are the first people who are a party to that, through their directors. If the shareholders want it, there is no complaint; they are the last people that would be affected. They want that. They are the people that do it. Now, take the creditors: if a man wants to deal with that company, he must know what the situation is. He knows that there is \$800,000 of fixed capital, and he knows that there is \$200,000 of surplus, which, as long as the \$800,000 is intact, may go out to shareholders, and what he makes up his mind to is, "how much credit will I give that company?" The thing would be exactly the same if the company had a million dollars par value, and the company sells that at a premium. You gentlemen have dealt with an insurance matter this morning. In that form of insurance a \$10 share is sold for \$15. The \$10 is permanent, non-withdrawable, the \$5 is premium surplus which can be distributed the next day in dividends. Where is the difference between those two situations?

By Mr. Hanson:

Q. Is not there quite a difference?—A. No, not so far as creditors are concerned. In each case they say, what is the position of the company? In one case you have a million dollars par value and there is \$100,000 premium, and you have \$1,100,000 in you treasury, and \$100,000 is withdrawable. Of no par value stock you sell a million and you declare that \$800,000 will not be withdrawn and there is \$200,000 there. It seems to me a mere juggling of phrases and a confusing of practical business relations whether you call it discount or selling it at a premium, whether you call it no par or par value. The fact is that business men dealing with business situations—and as a lawyer who has the pleasure occasionally of acting for people who run companies and finance companies—what we want is to have Mr. Mulvey's Act—and it is an awfully good Act and it is administered uncommonly well—we want it improved now to meet the development of corporate business here in Canada. What we need in Canada is capital, and we cannot get capital unless you give it what it demands. If it can get what it wants in the United States and cannot get it here, Canada is the loser. Now, I do not want to suggest opening up corporate finance in any way that is going to harm either investors or creditors, but the suggestions of Professor Curtis do not justify the criticism of these two

items. I think they are purely theoretical. I think when you examine them you will see that you are dealing with phrases, and you will not find that fundamentally, in a business way, there is any difference. But there is a difference from a legal point of view, and unless you give this facility you will find capital not coming to Canada. And even if it does come you will find that a certain amount of it—and this is a thing that any practising corporation lawyer knows—you will find that a lot of business will go to the province where this has already been allowed. And one likes to deal with Ottawa. One does not like to see what they think is the Dominion Companies Act lagging behind the recognized improvements in the corporate structure that you find in other jurisdictions. This kind of act has been in use in the States. Hundreds of millions of dollars have been financed on it. It is in use in Ontario now.

By Mr. Hanson:

Q. I do not think there is much of an argument.—A. I do not see why we should say there is nothing good to be found outside of Canada. We sometimes have learned a couple of things.

By Sir George Perley:

Q. Sometimes there is and sometimes there is not?—A. Quite. I know the company knows what is good to discredit and what is bad. They do not allow no par shares in England.

By Mr. Geary:

Q. They do not consider the necessity?—A. Absolutely not. The English system of financing is so different from ours.

By the Chairman:

Q. Isn't there something there for no par shares?—A. Yes.

Q. It was considered in the amendments of 1928.

By Mr. Hanson:

Q. Having regard to subsection 4 of section 6, do you consider that it is wise to leave the division—so much for capital and so much for reserve—wide open?—A. How do you mean "wide open;" it says that it is fixed by the directors.

Q. It is done by the directors. It is left to them to make the division, "and in fixing the amount of such consideration the board may provide that a part thereof may be set aside as a reserve." Mr. Curtis gave an illustration of where they took 80 per cent or 90 per cent and made a reserve and paid it out as dividend and left only 10 per cent in.—A. If you were a shareholder of that company you would probably be tickled to death.

Q. What about creditors? We must be just before generous.—A. Quite. And if you are a creditor and have acumen, it is obvious from where you stand. You would only lend on that basis of \$100,000. Suppose they have sold that par value stock at \$900,000 and put \$800,000 to premium reserve, it is exactly the same situation. Of course, you can take extreme figures and you can make a thing look as if it were absurd. You have got to allow for ordinary sound common sense in dealing with a company's affairs by its directors. The shareholders control the directors, so they are satisfied.

By Sir George Perley:

Q. In theory?—A. No, practically. The electors sometimes control members of parliament, or bring them in here anyway, and it is exactly the same way with company shareholders.

Q. I should like to ask Mr. Long if he will draw a sharp distinction between the common par value shares and the preferred in regard to this point he raised. Now, I quite agree with the view he takes about the common low par value shares, but I am thinking about the ordinary common people in this country who buy preferred shares because they think they are bonds, or better than some other kind. Mr Long represents, no doubt, very reputable people all the time, and these people that come in in large numbers often want this arrangement about no par value preferred shares, but the ordinary person in the country who buys a preferred share thinks he is getting something that is practically a bond.

Mr. HANSON: That is all wrong.

Sir GEORGE PERLEY: He is bound to do so. If you take it and put in the reserve and pay it out in dividends, where does he come in? Where does the ordinary common citizen come in? That is the man I am interested in. There has been so much done in this country with the shares that are sold, and people lose their money; and if you make no par value share, and you can dispose of the money any way you like, is that fair to that sort of investor?

The WITNESS: When you have a no par share and have a declaration on it that it is a preference, say, \$25—or if you want to make it \$100—and make it look like what it almost is, a par value share, that preference is always carried as fixed non-withdrawable value, because the man has a preference on it, and it has to go in there and stay there with the capital.

By Sir George Perley:

Q. Does not this clause say that the money can be put into surplus profit? Is not that what the clause says? If I have a preference share and give \$100 for it—it is to say how much I have in preference on the capital of the company.—A. I think you will find in the case of a wind-up or dissolution that the shareholder will get \$75.

Q. Does not this clause permit you to take that \$100 and put it back into surplus?—A. I don't think so, sir.

Mr. MULVEY: On the question of accounting, it would never be done. As a matter of fact it does not do so. This provision is that they must keep at \$100, but any surplus above that may be distributed in dividends, but they must have the \$100 of assets before they can distribute.

The WITNESS: I do not think there is any question about that, sir. I thank the Committee for allowing me to bother them to this extent. I have nothing more to say. I would rather deal with it in a general way, and just conclude by saying that these sections, after a very great deal of very careful study—they were considered two years ago—they were considered very carefully last year when the bill was up before the Senate Committee—and if they are carried out they will permit what we consider—and I think Mr. Mulvey too—a marked improvement in the Act with facilities to corporate finance. They safeguard against improper action against either shareholders or creditors, and we urge very strongly that the Committee take them as they are.

By Mr. Hanson:

Q. I should like to refer to subsection 4 of section 9 which says, "In the absence of other provisions in that behalf in the letters patent, supplementary letters patent or by-laws of the company, the issue and allotment of shares without nominal or par value authorized by this section, may be made from time to time for such consideration as may be fixed by the board of directors." That is all right so far as it goes. "And in fixing the amount of such consideration the board may provide that a part thereof may be set aside as a reserve."—A. Yes.

Q. That is wide open.—A. Yes.

Q. Now, take this illustration. Supposing we issue these shares at \$25 and they set aside \$5 for reserve which may be distributed back to the shareholders, is there anything in the bill or the Act that will then provide that \$20 is the amount of the redemption shares, we would say, on a liquidation?—A. You are speaking now of no par common shares?

Q. No par preferred shares.—A. The letters patent themselves provide that. You cannot get a preferred stock from Mr. Mulvey without having that clearly stated in your letters patent.

Q. Subsection 4 of the present section has it in there, "The certificates of preferred shares having a preference as to principal shall state briefly the amount which the holder of any such preferred shares shall be entitled to receive on account of the principal from the surplus assets of the company in preference to the holders of other shares, and shall state briefly any other rights or preferences given to the holders of such shares." Is not that eliminated in the present bill?—A. No, I do not think the effect is changed.

Q. That is my understanding of the effect of this bill.—A. No, I do not think so, sir.

By Mr. Geary:

Q. I have not got the whole story, because section 20 of the amending act has just as much to do with the matter as the one we are discussing. Section 20 provides for everything going on.—A. Yes, I stated that.

Q. We must consider some of these sections together because they interlock.—A. That is what I stated, or intended to say, that the certificate, as a matter of law, must contain on the face of it the story of your rights and preferences, and where you have not preference shares issued or deferred each certificate on the back of it has the whole story of letters patent.

By Mr. Hanson:

Q. That is all right if the preference is contained in the letters patent, but it is a case of where it is not in either of them.—A. You cannot get it anyway.

The CHAIRMAN: There is an amendment proposed by Mr. Mulvey.

Mr. MULVEY: Yes.

The WITNESS: Section 20 of this act, page 10.

Hon. Mr. RINFRET: That is provided for.

The CHAIRMAN: Now, gentlemen is it agreeable to the Committee to hear Mr. Osler of Toronto?

Witness retired.

BRITTON OSLER, K.C., called and sworn.

The WITNESS: Mr. Chairman, and gentlemen, my interest here is entirely from the point of view of a practical working Companies Act for the Dominion, which, while being careful of both creditors and shareholders and the public, will give a flexible working basis for corporations to finance and operate on. It is the life blood of the country. Now, with regard to these two sections, I think it is proper to point out that prior to 1924 the position under the act as to setting aside a certain part of the purchase price or consideration for no par value shares—was that no par value shares could be dealt with exactly as this amendment provides. That is to say: you receive \$50 for a no par value share. You could declare your capital with which you are going to do business as \$20, or \$30, or \$40, leaving the balance as stock premium or surplus and the reason is obvious, and I am speaking of this not theoretically but practically; if you establish a

company with a capital say of \$100,000 and \$100,000 surplus, if by any chance it made a loss that year, the directors will be put in this quandary: shall they pay dividends or make up that loss out of the profits of the year and perhaps cut off dividends to do so? From the public and financial standpoint, continuity of dividends is very essential, and, therefore, the effort is to create a financial structure which will result in a capital which the ordinary fluctuations in values will not impair, especially during the early life of the company and to protect this capital by creating a surplus or reserve. Now, that surplus may be from earnings, but in the initial stages it must be from stock premium on shares. That is to say, of the price paid for a share, so much is received as capital and so much as stock premium. In the old days of par value stock—whether preferred or common—the situation was met by selling \$100 shares at \$110, and \$10 went into the stock premium reserve and \$100 went into capital. It is not necessary to repeat, after Mr. Long's very able exposition, that there should be no distinction between par value and no par value stock and that what was and is good practice in the case of par stock is good in the case of no par. All conditions are fully set out on the share certificates and in the prospectus, so that there could be no mistake on the part of a shareholder, and the creditor was also protected. Before 1924, no par value was exactly in the same position as par value stock. You could create a stock premium or cushion reserve. It did not make any difference to anybody; it did not harm anybody; but in 1924 when the Act was amended with regard to the amount of capital required to be paid up before the company commenced business, the amendments went further than was intended, and resulted in the whole consideration received from the share becoming capital.

Now, I have spoken of the disadvantage of having no stock premium, but let me call your attention by a few illustrations to the practical difficulty one runs up against in dealing with that section and which, frankly, has driven a lot of corporations either into Ontario where they have this provision, or into the United States. A company wants to acquire the stock of another company. It offers the shareholders of that company one share of its stock for one share of their stock. Under the Act the consideration received for the company's stock is its capital. What is the consideration received? Some value has to be put on that stock that it acquires. It may be quoted in the market or it may not. If it is quoted in the market and you apply the market price, that market price may be the price at the end of a long boom such as the boom that broke last autumn, and the consideration, we will say, is the market quote say \$90 when you made the exchange, therefore, your capital is \$90 share in October. In December the stock is down to \$50 or \$60 your capital is depleted by half, an absolute loss of capital.

The logical and proper thing to do when the company exchanges its stock for the shares of the other company is to say "what does that share represent?" It represents a certain capital and a certain surplus in the books of that company whose stock is acquired and the wise person would say "take that into the books of the company acquiring the stock in the same way, that is treat as capital what is shown as capital in the books of the company whose stock is acquired and treat the surplus in the same way." If you do not do that you are not dealing fairly with the shareholders or the public, because what the acquiring company can do is this: Suppose the Act stands as it is the consideration for that stock is \$90 a share; \$90 is the purchasing company's capital but market fluctuations have knocked that down to \$40. Very well, the capital is depleted, but the company goes on doing business and paying dividends because it is still earning money. It can go further than that. It can cause the company whose stock it acquired to declare a dividend and the purchasing company notwithstanding its depleted capital can declare it out again, and in effect it is declaring a dividend out of capital.

Now, if this amendment is passed the prudent directors checked, of course, by the Secretary of State say how much of the value of the shares being acquired is capital and how much is surplus or reserve the shareholders must approve before letters patent issue and the creditors are not harmed because they are protected. Full information has to be given, and so forth. But if this amendment is not passed then the state arises that I have described.

Section 8 is merely to leave the act in the condition it would have been in if the amendment of 1924 had accomplished only what was intended. In other words, it permits a company to set up a stock premium under the proper safeguards. Nothing can be done without the action of shareholders and the issue of supplementary letters patent which may be refused if the facts are not clearly set forth, or the creditors object, or there is any doubt substantial as to the bona fides of the application. The whole question is, are there proper safeguards, and for the reasons I have mentioned as to the necessity for stock premium on no-par value shares, this amending Act is absolutely necessary if the Dominion Act is going to be kept abreast of other company acts for the purpose of modern financing.

It is hardly necessary perhaps to answer some of the suggestions that were put forward, but one objection which was specially urged against having preferred no-par value stock namely that the preferred shareholder was either contributing to the value of the common stock or the common shareholder was contributing to the value of the preferred stock. The answer is that exactly the same thing happens with par value stock. You sell preferred par value stock at a premium of \$10 or \$15. Where does that come from? It comes out of the preferred shareholders as it would with a no-par value stock.

It seems to me that the whole question is, what is the practical thing to do? Now, remember that prior to 1924 the stock premium was permissible under the Dominion Act in the case of no-par value stock. We have heard of no troubles arising. No vice has been shown by reason of that, and why not put it back and get in line with the other countries which we have to compete with financially, much as we may dislike it, put it back so that we will be able to compete with them, and be on a par. As I say, for a long period of years no trouble has appeared to have arisen by reason of either of these two sections.

By Mr. Kaiser:

Q. I would like to get this clear. In the selling of this preferred no par stock you dwell on the necessity of creating a surplus. That surplus must be created or taken out of the price that I pay for a preferred share. Who is it that determines that? For instance, I buy a preferred stock for \$50. You are the company. You apply that in two particulars, one to the stock of the company and the other to the surplus. Who determines how much of that \$50 goes into the surplus and how much into the stock of the company? After crediting that you pay a dividend. Are not you paying me back a dividend out of the money that I gave you?—A. Let me answer it in this way: In the case of an original issue, if a company is putting out an issue now, it is offered to you, or whoever it is, as preferred stock, whether par or no par it does not matter; you are paying for something that will be redeemed at a certain figure. The directors of the company make the offer of that issue; the terms are before you, and you buy it or not as you like, but in connection with any stock already issued the body of shareholders must approve of any change in the capital structure, and that approval is subject again to the Secretary of State's office which sees that both creditors and shareholders are protected.

Q. I understand quite distinctly, that if I get a certificate that states that it is \$100, a preferred share, but it is sold at a premium and I pay you \$110, then \$100 goes into the company and \$10 goes into surplus, is that so?—A. Yes.

Q. You say this is sold at no par value and it comes to me as a no par stock at \$50, so how can you split it in the same way?—A. You mean, when you purchase a no par value stock. The prospectus of the company should set out the facts on which that has been sold.

By Mr. Hanson:

Q. They could not sell it unless it was known in advance and so it must be known in advance, and it must show in the prospectus.

By Mr. Mulvey:

Q. Subsection 8 provides for the establishment of this surplus in companies which were created since 1924. Would you be quite content to have it limited in this way, that it would only apply to companies that have carried in their balance sheets that surplus?—A. I do not know the general effect of that, Mr. Mulvey, but what struck me about this was, having a good deal of corporation work to do, and having pointed out from time to time to the department defects in this Act as compared with other legislation which appeared to be working satisfactorily, and with no special interest in view except that one wanted to be able to say to Canadians and more especially to people from across the line, "Now, we can give you just as flexible and as safe—subject to ordinary precautions—corporate legislation here as you can get across the line," and having that in view, when this question came up of the amendment to the Act I wrote Mr. Mulvey saying that these are the points which have come up which in my practice appear to need correction if the Act is to be used generally for international finance, and on that I had several discussions with him.

This special section 8 I suggested because I know that in the interim between 1924 and this present time one or two companies have been incorporated which had not the ability to put part to premium and part to reserve, so as to reflect properly the capital structure of the companies which they had acquired.

Q. Have those companies carried their surplus as such in their balance sheet?—A. In one case I know they have, but I do not know what others may have done. It seems to me the section, as drawn, leaves the matter in the position where there can be no wrong done or hardship to anyone, but it does enable something to be righted which should have been righted long ago.

By Mr. Hanson:

Q. Subsection 8 certainly helps the situation.—A. I think so. I do not think that that subsection can be used wrongfully. But it does give the chance to a company, for instance, to come along and say we can put our capital structure in proper shape and not have to incorporate again, and if they start incorporating again, you do not know where they swing to in the incorporation, perhaps across the line. I have one in mind now, quite a large corporation, that may have to incorporate again. If we have this amendment we could say to them you are just as well off here as anywhere else.

I am glad to say that I am not a financier. I am a mere lawyer. I know of one case at least where the financiers came to me and said, "We can sell preferred no-par value stock if we can prefer it as to a specific amount of capital," and I had to tell them that under the Dominion Act they could not do so and they went elsewhere. Now they had a reason for it, I presume; they thought that they could sell preferred stock in that way to advantage, and the people wanted that surplus stock, because after all it is a question of what they want. There are a minority of people who will never be saved from trouble in the stock market. I am thinking of the minority we cannot save. Some of them you can save, but do what you can, you cannot save some people as I have found out to my cost. But the bulk of the investors, with the Act as it stands, get a very fair

picture of what is being presented to them, and, after all, we have got to go to the practical thing, not to the theoretical. Theoretically, one can sit in one's office and write a very nice treatise or essay on corporation business, but when you have to sit in your office and work it out then you run up against what you must really take care of, and if we could control the business and say that we are the only people from whom you can get a corporate entity all right, I agree, there are a lot of things I would change. But when you have in direct competition, especially in international finance with the people across the line, you have either got to fall in with it or see our sinews dry up.

By Mr. Hanson:

Q. After all, that is the strongest part of your argument. We must give jurisdiction here the same as it can be obtained elsewhere.—A. So long as we safeguard and we are safeguarding—

By Mr. Campbell:

Q. There is just one point I want to be clear on. A certain amount of non-preferred stock is sold, say at \$100 a share. Later on it drops in value and another allotment is put on the market at \$50 a share. Now, is the man who bought the \$100 share in the first place only entitled to the same distribution as the other man?—A. Is that no-par value?

Q. No-par value preferred stock.—A. If it is of the same value, he is entitled to exactly what the other is no matter what he pays for it.

Q. The stock has dropped to \$50.—A. You see, the man who has bought that at \$100, and the stock has dropped to \$50,—it is only worth \$50 now, and, therefore, it is no hardship to him if other people will come in at the same price.

Q. I understood that he had that preferred position over the second person.—A. Not unless his preferred stock calls for payment ahead of the other stock.

By Mr. Geary:

Q. After all, these gentlemen have been very clear to some of us who have had some experience in these matters, but to some of the members of the committee it has not been made quite clear. I wonder if Mr. Osler could categorically say why the change made by the amending Act is in the section in the present Act on preferred only.—A. On preferred only. The amendment, as I read it, simply gives the power to state an amount as to which that no-par value stock is preferred in the winding-up of the company.

By Mr. Hanson:

Q. And you can sell it at any price.—A. You can sell it at any price you can get for it.

By Mr. Geary:

Q. It is not a vital change?—A. It is not a vital change if you follow this line. The difference between par and no-par value stock is only, after all, a figment. "I will sell you a share of stock and I will pay you \$100 preferentially for every share when we are winding up, that is, ordinary par-value stock." In the other case I say "I will sell you a share of preferred no-par value stock and pay you \$40, or \$30, or \$20, upon winding up. What is the difference? None whatever.

Q. That is, under the present Act.—A. You cannot do it under the present Act. You are permitted to sell par value stock under the present Act preferred as to principal, but you cannot do it with the no-par value stock.

By Sir George Perley:

Q. Can you sell preferred stock to me at less than par value.—A. Well, you are allowed to sell subject to a certain discount, subject to a certain commission.

By Mr. Hanson:

Q. You have to take care of the commission.—A. But substantially it is correct to say that you must receive par for par stock.

Q. Theoretically you cannot do it, practically you can do it.—A. Practically you can beat it down a little bit.

The CHAIRMAN: We have some gentlemen here from Montreal, representing the east, also Mr. Day from Toronto, and some others, who are not entirely in accord with the bill. Will you hear Colonel George S. Currie of Montreal?

Mr. HANSON: Perhaps we should find out if he is in favour of the amendment.

Mr. CURRIE: I am in favour of the section.

Colonel GEORGE S. CURRIE (Representing Montreal Board of Trade) called and sworn.

Gentlemen, I am not a solicitor, I am a practicing public accountant, a member of the Montreal Board of Trade, and of the Legislative Committee there. Our job is to look at bills that are proposed, to study them and, if we can offer any constructive criticism thereto, to do so. We have examined this bill number 9, and in connection with Section 6, we have raised the same point that different members of this committee have, that is, as to the sale of preferred no par stock. I shall put it in brief form, the way we have written it down, which will explain it very thoroughly.

In the proposed amendment to Section 9 of the principle act, as set forth in Section 6 of Bill 9, subsection 6 reads in part as follows:

Any balance of the consideration so received over and above the portion thereof declared to be capital in accordance with the provisions of this subsection shall be distributable surplus.

We have seen the difficulties that certain gentlemen have raised here in that \$50 is paid for par stock, and the company might contribute \$40 to surplus and \$10 to capital. We say in view of this section, that it would seem advisable that Sections 51 and 52 of the Companies Act be amended to provide that.

Where no par value shares are offered for subscription, any portion of which consideration is to be carried to surplus account, the maximum so to be distributed, shall be stated in any prospectus or statement in lieu of prospectus filed in respect of the issue of such shares.

We say, if you pass that section, that there should be some way that we can find out how much is credited to surplus, and how much is credited to capital. We follow that further and say that if that is the case—and here is where we come to the accounting. In view of the provision of Section 9, clause 6, quoted above, which permits the consideration received for capital issues to be applied in part as distributable surplus, it would seem that Section 136, paragraph 3—that is the section that gives the details of what the items in the balance sheet shall cover—should be amended to provide for the distribution of capital and surplus as follows:

- (a) Total amount received on issue attributable to capital;
- (b) Surplus.

It is the practice, and if you pick up any financial review you will see that a balance sheet will be drawn up consisting of capital and surplus representing

\$200,000 no par, so much. We suggest that they should be compelled to divide that amount first, into attributable to capital, secondly, amount attributable to surplus. In that way, we say, in so far as the section we are on is concerned, first of all we can find out how much is credited to capital at the beginning in the original issue, the prospectus must show it, and how much is surplus. Then when the company publishes a balance sheet, we can see how much is still in capital and how much is surplus, so that the shareholder will know exactly what the situation is.

That is all our recommendations on that particular section. We have two others.

The CHAIRMAN: Mr. Mulvey says that those suggestions made by you, are quite acceptable, and will be added. What have you next?

The WITNESS: I have one in connection with my own profession. "That neither the auditor of any company, nor a member of his firm, should be a director or associated in any way with the administration of the company, except as a shareholder."

That is, if I am the auditor for a certain company, or my firm is, my partner cannot be a director or employee of the company.

Mr. GEARY: How about co-directors when incorporated?

The WITNESS: I do not think the auditor should have anything to do with the company at any time.

Mr. GEARY: You want to go that far; you have no partner?

The WITNESS: We have not done any incorporated company practice auditing.

Mr. GEARY: What about shareholders?

The WITNESS: As a shareholder? I would be very glad to be auditor for the Canadian Pacific Railway, and a shareholder.

Mr. HANSON: Is there a reason for that underlying, or is it general principle?

The WITNESS: I am speaking from my experience as an accountant. I think it is good practice and desirable. Where there are two members of a firm, one should not be a director.

Mr. MULVEY: This suggestion refers to subsection 3, Section 123 of the Act; you would modify that section.

The WITNESS: Yes.

Mr. MULVEY: You would recommend that the auditor or his partner may not be an officer or director.

The WITNESS: That is it. The auditor may not be an officer or director.

The CHAIRMAN: That is the suggestion made by the Montreal Board of Trade through Colonel Currie.

Mr. MULVEY: I see no objection to that.

The CHAIRMAN: The Department will give it every consideration.

The WITNESS: The next suggestion we have is in reference to paragraph 3, Section 34, subsection 120A.

Mr. HANSON: Are you speaking of the bill, or the Act?

The WITNESS: The bill.

Hon. Mr. RINFRET: 34 is the bill, 128 the Act.

The WITNESS: It is provided that a certificate signed by the Secretary of State, with regard to the failure of an investment trust company to comply with the provisions of the section, shall be deemed sufficient evidence that it is just and equitable that the company should be wound up.

Mr. MULVEY: The Department is going to suggest that that section be withdrawn entirely.

Hon. Mr. RINFRET: Besides, that is dealing with the investment sections, and I do not think that we should mix them up with what we are dealing with this morning. We might hear what this gentleman has to say, but not discuss it, just have it taken down for the present.

The CHAIRMAN: The Department is going to suggest that that section be withdrawn.

The WITNESS: This confers undue and arbitrary powers on that minister and drastically curtails the functions of a judge, for which reason it is suggested that the section be amended as follows:—

That the word "or" on line thirty-five of Section 34 of the bill, subsection 120A, should be changed to read "and".

"If, at any time such demand for a statement of the affairs of the company as aforesaid is not complied with within the time required by such demand, 'or' if the company, its officers or agents, refuse or neglect to submit the affairs of the company to inspection—"

That following the word Canada, on line 38, all words up to and including paragraph E on line 40, should be deleted and that there be substituted therefor the following: "May apply to the proper court for a winding up order under the provisions."

Mr. HANSON: You object to the State Department?

The WITNESS: We say it should be before a judge.

Mr. HANSON: Mr. Mulvey would not want that.

Hon. Mr. RINFRET: We are only taking this up now as a matter of record. This section will either be dropped or considered later.

The WITNESS: We suggest it should be taken out of the hands of the Secretary of State, and that you must go before a court of justice.

Mr. HANSON: The lawyers will agree with that.

The WITNESS: We suggest that all words after the word "shall" in the concluding two lines of this paragraph, be deleted and the following substituted therefor

Have the effect of throwing the burden of proof upon the company to show why it should not be wound up.

That means they must go before a court and prove their case. We are afraid of manipulation of stock by directors and others. That is the reason for that.

The CHAIRMAN: I am quite pleased to know that the recommendations of the Montreal Board of Trade are going to be practically concurred in by the Department. We are glad to have here to-day Mr. F. W. Wegenast, barrister, of Toronto. Also Mr. Day. We will ask Mr. Day, and later any others who wish to speak. I am hopeful we may satisfy ourselves to-day with regard to the outside witnesses and perhaps conclude with them if it is possible and desirable. We will hear Mr. Day.

JAMES E. DAY, K.C., called and sworn.

I have not had the advantage like Mr. Long and Mr. Osler, in representing the parties they do, but I have been acting during the last twenty years, and I think four-fifths of my work has been in connection with the incorporation and carrying on of companies of much more ordinary nature, and also the semi-despised mining companies.

The CHAIRMAN: Wholly.

The WITNESS: It depends whether you hold Smelters, or some other stock. I have put in a good deal of time looking over the proposed changes, and I have sent to the Secretary of State a long memorandum and I am quite content if anything I have said does not meet with his approval, and it can be dropped. I do hope, however, that he does bring it before the committee. As to this particular section, I do not know whether the committee seriously considers the proposition that we are not going to have no par value stock. After all, the whole object of the Companies Act is that the Dominion will help in the getting of money required for industry, the development of mining and other resources of Canada. On that there is only one thing I ask, and that is that the Dominion continue its act distinct from the provinces, and introduce no unnecessary restrictions or unnecessary interference. The very last suggestion not to leave those matters to the Department that can be left anywhere else, is an example. Section 6, with all the memoranda that was made, after all was very short and very much approved. I had thought, and it just shows the dangers of amending the act as to that reserve and surplus in the matter of providing, instead of the directors fixing it, that it should be the shareholders. But, in the Province of Quebec, with all their experience, they leave it to the directors to do everything. If you provide that the shareholders should fix the reserve it will not mean anything. For instance a company in its beginning has five or six shareholders, they are full shareholders just the same, and the result is that the directors will pass the surplus resolution. The directors are the five shareholders and are just as much shareholders all the way through. However there is one point of detail, I think, that has to be considered in it, and that is the clause fixing the capital. "The amount of capital shall not be less than the amount," and so on, "of the par value of the shares." You have overlooked one thing. Under the act as it stands to-day under section 34 a company can give an applicant for stock a commission up to twenty-five per cent. It is lawful for the company to pay a commission. Suppose a company has issued \$100,000 or \$1,000,000 stock and has paid twenty-five per cent, it only has \$750,000 capital, and if you pass this section with the words as they are you are going to have it in the hole. Its capital is actually depleted by the amount given as commission. We have a lot of members of the Senate and the House of Commons who have had experience in financing, and suppose it should become a case where the liquidator thinks that they have to pay that back. There is the point that I think will require consideration. If you say that this company cannot carry on business unless it has the amount of its capital, how is it going to get back the percentage given for commission. The intention is all right that the net amount they have received is that amount of capital. That clause, I think, will be unworkable, but as to the necessity of the clause itself you only have to look to the old act which contained a clause that you had to fix the price of the stock. If it was not fixed by the charter it might be fixed by the directors or shareholders. The department will not take the responsibility to say what price the stock shall be sold for, but how could you fix the price at a meeting of both common and preferred shareholders when you have not got them? That was the old act—to be fixed at a meeting of both classes of shareholders and they do not have any preferred shareholders. They have wiped that out and have given us a workable clause.

You will have to amend the clause to provide that the amount of capital on hand will be the amount it has lawfully received, less the commission.

I have no more to say as to this; I have other points in reference to a lot of other sections and if I can be of any assistance when they come up I will be glad to render it. I wanted to clear up this one point now.

F. W. WEGENAST, barrister, called and sworn.

The WITNESS: Mr. Chairman and gentlemen, what I have to say approaches the subject, particularly the subject of setting aside a part of the consideration received for no par value authorized as a reserve—approaches that subject from a point almost the direct opposite of Professor Curtis' position; but I want to be understood as being absolutely in agreement with what he says. I won't venture to repeat what he said. When I say that I am speaking from an opposite standpoint, I mean this: I am approaching it from the standpoint of the small investor who has put his money in a company on the representations of a promoter, or, as they are now called, investment banker or his agent, high pressure or otherwise. It has been my fortune—I will not say good fortune—to represent many thousands of these people, and I frankly admit I am prejudiced in favour of the position of the small shareholder, just as frankly against the promoter—at all events, with respect to some of the methods employed. Now, may I point out this, that the two main safeguards of the small investors—the shareholder generally of a company—have been, first, that stock could not be sold at a discount and that you cannot pay dividends out of capital. Those have been the two great principles that have been the safeguard of the shareholder. This thing must be looked at from the standpoint of the small householder, the small shareholder who is approached by a high pressure salesman. What are the points that he stresses? I am addressing myself for the moment to the second point which is a very important item of salesmen's talk, to say that your dividends are going to be guaranteed from the start. It is one of the most common items of salesmen's talk, very often not true, but he will come around to that in some fashion or other.

Mr. HANSON: Nearly always untrue.

The WITNESS: Yes. Let me point out this first, that the scheme of no par value stock has completely wiped out any fears, namely, that you could sell stock at a discount up to the time of no par value stock being invented.

The man who took his stock at a discount took his chance, just as manufacturers, financiers and others. May I point this out—it has not been mentioned this morning—that when you say that the share certificate represents on its face that the stock is worth say \$100—when you say that is a misrepresentation, it is only misrepresentation from this standpoint, that it may not be worth \$100 in a few years or in a few days, but it should be worth \$100 at the start. Is it not worth exactly what the man puts in? All that that certificate means is that \$100 has been put in it, or its equivalent, but if none of us has got paid it is there yet, and it is worth it. It is not a misrepresentation from the immediate standpoint of promotion and organization of the company, and it should not be. That is the very purpose of a par value. It is not to insure that the stock is going to be worth \$100 a year from now or ten years from now; it is to insure that they all get off to an even start, and that the man who pays in his money at the beginning will be guaranteed that somebody does not come along afterwards and get in on a better basis.

By Hon. Mr. Rinfret:

Q. A no par value stock is sold for so much; it is worth that much the day it is sold. I do not see how it does not apply to the other kind of a stock.—A. The trouble is in par value matters that you can come along later and without asking anybody's permission sell the stock for less and let in the favourite sons on a better basis. Now, it is quite true with the passing of time and the fluctuation of money that stock may be worth more or less and that you should not be tied down to the par value. This whole subject was investigated very thoroughly by the Board of Trade in England in 1928 with the

result that certain amendments were put through in the English Act in 1929; and in these amendments the Committee of the Board of Trade definitely negatived that no-par value stock provision and adopted instead a provision that under certain conditions—for example, three months after the original issue and with the consent of certain authorities—I think it is left to the courts—stock may be issued at a discount but when you do that you know exactly what you are doing, and this scheme of no par value shares is simply a means of kidding the shareholder in the belief that a state of affairs exists which does not exist at all.

By Mr. Hanson:

Q. No par value shares are here to stay.—A. Assuming that—I wanted to mention that because the English Act has been mentioned to support a certain clause as if in England this scheme were in favour too.

Q. What you are proposing to-day is what Professor Curtis has pointed out.—A. I am looking at this thing not from the point of view of the large companies and promoters of the investment bankers but of the companies promoted by a man I had a good deal to do with, A. J. Brooks; because this Companies Act is going to be used for everybody. It is absolutely true that a scheme will be made out in a lawyer's office with the dummy shareholders and directors where the directors will be told to guarantee dividends from the start. Is there anything to prevent that?

By Hon. Mr. Rinfret:

Q. I do not want to argue against the evidence you are giving, but considering the question I put a moment ago, it strikes me the other way, that when that share has no par value it is up to anybody who buys it to find out what it is liable to be worth at the moment; but as it has a share value at the time it is sold, when it is resold there is also the intimation that it is worth so much.—A. In answer to that, sir, I will have to offend Mr. Hanson. It has been said that a share with no par value represents an aliquot part, a definite fractional part of the capital of the company. It is not so.

Q. Why not?—A. If it were all issued at one time and never interfered with it would be so, but the minute you issue an extra share you start off and you have 50,000 shares issued and then every share represents 1/50,000.

By Mr. Hanson:

Q. At that time.—A. At that time. The next day you sell one share, and then what have you got? Every shareholder has just 5/0001, and when you sell the next share—50,000 shares—this man who had 1/50,000 has now 1/100,000.

Q. The gentleman agreed to it. It is an aliquot part.—A. He only agreed to it in the sense that he is content to take a share in the company under this Act. If you preserve that with all the proper safeguards around it—if you have your safeguards so that a new man is not let in on another basis, you might do it all right. If you have the matter properly regulated, I doubt if two or three shareholders should be enough to sanction the new bill. All of us who handle companies know how this is done.

By Mr. Geary:

Q. May I follow that for a moment? When there is a second issue of stock money is received from that second issue and that amount is added to the assets?—A. Yes.

Q. Well, there is a less aliquot part, 1/100,000 instead of 1/50,000. There are additional assets.—A. Yes, if you sell the first 50,000 for \$50,000 and you

sell the second \$50,000 without proper safeguards for \$25,000, then what the man gets is 1/75,000.

Q. How are you going to sell that?

Mr. MULVEY: I understand you oppose this no par value method altogether.

The WITNESS: Not now. Since I have gone so far, it is only because I have been drawn out. Assuming that you have a no par value system saddled on you in this country, I say you do not make it any worse by enabling the directors to set aside any part they like to the capital without any proper safeguards as a reserve out of which they can pay dividends from the start.

By Mr. Geary:

Q. Your remarks have been directed to that.—A. Yes.

Q. I gathered you were opposing it?—A. I would if this were the time and place. What I am addressing myself to is subsection 4, the latter part of subsection 4 of section 9 as introduced by section 6, "The board may provide that a part thereof may be set aside as a reserve." I say that without much better safeguards than this bill provides for, that section is bad. I go further and say that it is vicious.

By Mr. Hanson:

Q. If that power were limited to a special provision in the letters patent would that meet your objection?—A. That would go a long way to meet it. You have taken away that flexibility for which my friend pleads. It is that very flexibility that is the promoter's charter and is the safeguard of the small investor.

Q. Is not that a very important factor in assisting companies to finance—that very flexibility?—A. Assisting men like A. J. Brooks, yes.

Q. I do not know anything about A. J. Brooks. I will tell you I have never heard of him. A. I only use him as a type because I know him, and I have reason to know that other people know him; but I refer to that type of promoter, and you are leaving it wide open.

By Sir George Perley:

Q. May I ask if we had the system no par value for common—that is here to stay—is there any reason why we should not have no par value for preferred as well?—A. I am prejudiced, but I say that there is no reason. I am very much disappointed to see the Department fall for it.

By Mr. Geary:

Q. Do you think section 20 will help us at all?—A. To some extent, it would; it does not go far enough.

Q. How far should it go?—A. I would not like to say offhand, when my words are being taken down. I should like to think that over a little longer. I think this Committee might well pause before sanctioning the principle setting aside any part of the principle as reserve.

By Mr. Hanson:

Q. Now, you are confronted by a condition. You have the jurisdiction in the province of Ontario to do this. In the province of New Brunswick you have the jurisdiction on the sanction of shareholders to issue par value shares at a discount. A. I cannot speak of New Brunswick. It is the same as the English Act, and I suppose I can speak for Ontario. There is almost a complete answer so far as Ontario companies are concerned, at all events. They have their Securities and Frauds Prevention Act under which they can absolutely control the whole thing, and it is a matter of arbitrary control by the registrar under

the Act and the Attorney General, so there is no question there. As regards Dominion companies there is not that safeguard, although the provinces purport to govern Dominion companies as well.

Q. When they come to sell the provinces are supposed to have jurisdiction?—A. My own opinion is that the Act is ultra vires in that respect. I do not think the provinces have any right to say to the companies how stock of a Dominion company should be sold when it is issued; but there is one reason in particular why I am so much concerned about this. I do not think it will be very long before we will have a case in the courts in which the provincial Securities and Frauds Prevention Department will be relegated to provincial authorities. We will leave the promoter to the Dominion authority to do what he likes under this Act if this goes through.

Witness retired.

R. G. H. SMAILS called and sworn.

By Mr. Geary:

Q. Would you tell us what your position is?—A. I am Associate Professor of Economics at Queen's University, a graduate of London University, England, and a member of the English Institute and the Ontario Institute of Chartered Accountants. I think that is all.

Q. When did you graduate from London?—A. I am not as young as I look. I graduated as a chartered accountant in 1920; that is ten years ago. I am in complete sympathy with the views expressed by Professor Curtis. I can only justify my intrusion as an accountant by training. I have one point on which I wish to concentrate in that capacity. First, I would like quite definitely to dissociate Professor Curtis and myself from any criticism of the principle of the no par share. We are enthusiastic about the uses of that share providing it is properly safeguarded—the principle of the no par share, both the no par common share and the no par share preferred as to dividends. We are discussing this morning the no par share preferred as to principle. The present Act empowers a company to issue a no par share preferred as to dividends but not a no par share preferred as to principal, and the amending bill proposes to authorize the issue, to legalize the issue of a no par share preferred as to principal, and it is to the no par share preferred as to principal that we are strenuously and consistently opposed to. The remarks, particularly by Mr. Long, seem to me to imply that there is some relation between the redemption or liquidation value of a no par share preferred as to principal and the amount which the company issuing that share had to carry to capital, as being distinct from surplus. That is to say, if the company sold a no par share preferred as to principal in the amount of \$50 and sold that share for \$60, either it would or it would have to, or at any rate it would carry \$50 to capital account where it would be locked up and retained as a fund for the security of redemption of that share. I am not a lawyer but I understand from the lawyers—

By Mr. Geary:

Q. The \$10 would be carried?—A. Surplus. I understand there is no substantial or effective difference between the proposed subsection 91 and the provisions of the Ontario Act. Now, there is no requirement upon an Ontario company under the Act to carry any specific proportion of the issue price of a preferred no-par share to capital account. I have in my hand the balance sheet of a company—a certified balance sheet of a company which issued 22,000 shares of no-par stock preferred as to principal in the amount of \$60 per share and simultaneously issued no-par common shares. The preferred shares were pre-

ferred as to principal in the amount of \$60 per share. I do not know at what figure the company sold the shares to the investment banker although we can make a guess at it. The balance sheet of the company shows 22,000 shares of \$3 accumulative convertible preference stock without nominal or par value at \$22,000 in the capital fund. That is \$1 per share of no par preferred stock redeemable either at option of the company during the life of the company or on liquidation at \$60 per share.

By Mr. Hanson:

Q. They carried them at \$1?—A. Yes.

Mr. LONG: An Ontario company?

The WITNESS: Yes. I prefaced my remarks with the statement that I did not think there was any safeguard in the proposed Dominion bill which was absent from the Ontario Act. The common shares, 40,000 of them, show at \$40,000 in the capital fund. The total capital fund of that company is \$62,000, it having a total equity of \$767,000. The remainder of the equity is shown as surplus at organization, this being the initial balance sheet of the company. Now, there is nothing, as I understand, in law to prevent the company utilizing that surplus for dividend purposes—that is, returning it to shareholders, and so reducing the stake for all the shareholders to \$62,000.

Meanwhile, is it correct to say the common shareholders are in possession of an equity of \$40,000 when, in fact, they have no equity whatever in the assets of that company. Until that point is reached I submit the common shareholders have no equity in that company, and that there is raised a problem of the first magnitude. That is the only point on which I wish to make an observation.

FRANK COMMON, sworn.

WITNESS: I am a member of the legal committee of the Montreal Board of Trade. I represent the Quebec branch of the Investment Bankers Association.

The point which I wish to submit is designed to meet what I consider to be the very well addressed question of Sir George Perley on the question as to what steps would be taken in order to permit a distribution of moneys paid to a company as dividends in payment for preferred shares no-par value carrying preference as to capital.

I suggest that the committee should consider the insertion of a provision that the capital of the company shall not be less than the amount received by the company on its disposal of all no-par value shares carrying preference as to principal which have been issued. That would prevent such a thing happening.

The CHAIRMAN: The Department say that is the way the Act reads now.

WITNESS: If the Act does read that way that is a good answer to the question. If it does not I would suggest that it be made clear. I would suggest that all of the amount received for no-par value shares be carried into capital.

By Sir George Perley:

Q. Should be all considered as capital.—A. Yes. That would prevent such an operation as was forecast by the gentleman who last spoke, where only \$1 was credited to capital.

The Committee adjourned at 1.05 p.m. to resume at 4 p.m.

AFTERNOON SESSION

The Committee resumed at 4 p.m.

CLIFFORD CURTIS, recalled.

WITNESS: Mr. Chairman, I do not know that I have a great deal more to say than I did before, other than to repeat. I would like to make it clear, however, that I am not opposed to the principle of a no-par share at all. I think that properly safeguarded it is a very necessary agent of finance. I do want that understood. I did believe—and I do believe—that those clauses were not the most suitable in the broadest sense. I do not question that they may facilitate financing of companies. The offsetting effect, as I see it, will they be equally sound for the investor, and it seemed to me—and it is a theoretical point that we are considering—whether the gain to incorporators bounces the possible loss to investors. I was inclined—and I am inclined—to question that. I am inclined to doubt if the investor generally would gain through that.

By the Chairman:

Q. Through the issue of the non-par preferred stock.—A. Through the issue of the non-par preferred stock and through allowing part of the consideration to go to a surplus account. I do think that one should be very careful in changing a principle that has been followed in company legislation for years, that is, the capital of the company is inviolate to be kept for the treasurers and for the shareholders, and that capital should not be returned in the form of dividends. That is a principle that has been followed for years, and I feel myself that one should be careful in departing from such a principle.

By Mr. Mulvey:

Q. There is no question about that fundamental principle, but can you point out where that principle is being departed from.—A. If you allow a part of the capital paid in to be returned to a man as a dividend.

Q. Well, now, it has always been the practice that a subscriber, a shareholder should pay a premium which should be attributable to dividends. Do you object to that. The point there, Mr. Mulvey, was a practical protection. Very few concerns outside of banks and insurance companies could very well—

Q. You are quite wrong there. Very many companies do that.—A. I am not aware of very many.

Q. Oh, yes.—A. I still stand by that.

By the Chairman:

Q. Recognizing the surroundings under which we dwell by the Provinces granting certain rights, etc., and being associated closely in finance with a big neighbouring country, do you see any objection and could you suggest to the committee a safeguard that might be wrapped around the granting of no-par value preferred stock.—A. Well, the safeguard which I would suggest would be that the amount of the preference be the amount contributed to the capital fund or that the amount of the consideration go to the capital fund. I think it immaterial which way it is put.

By Mr. Mulvey:

Q. That is provided for in a suggestion which Mr. Common has made.—A. I understand that, Mr. Mulvey.

Q. That covers your point asked.—A. Yes that meets the point.

By Mr. Irvine:

Q. May I ask, Professor Curtis, what your opinion is in respect to the contentions of some of the witnesses this morning, that if this amendment were not put into force we would jeopardize the inflow of capital into this country.—A. I would be inclined to think that in the long run the soundest corporation law would draw the best and, I think, the greatest amount of capital.

Mr. KAISER: The sounder the law the sounder the business.

WITNESS: That is, it seems to me that foreign investors will invest more readily in companies that are organized under a fairly strict law.

By Mr. Hanson:

Q. As I understand you, you are agreeable to the principle of no-par value shares both for common and preferred.—A. Quite true.

Mr. KAISER: I do not think he said so.

Mr. HANSON: Preferred, with proper safeguards. Mr. Common, at my suggestion, made an amendment to subsection 4 of Section 9, that is Section 6 of the Bill, in line 37 after the word "and" he suggests this, interpolating the words:

Except in respect of shares without nominal or par value having a preference as to principal the Board may.

Now, the effect of that would be, they could not take into surplus any premium or any part of the consideration.—A. My impression is that that covers my point completely.

Mr. HANSON: Well, that is satisfactory to me.

The CHAIRMAN: What number is that, Mr. Hanson?

Mr. HANSON: It is in Section 6, page 2.

Sir GEORGE PERLEY: Mr. Chairman, regarding the question of whether it will interfere with the inflow of capital, Mr. Common did not have much chance this morning to give his evidence, and I would suggest that he be heard now.

FRANK COMMON recalled.

Mr. Chairman and gentlemen, in considering this question, and all of the changes that are now before this committee, it would appear to me from the discussion, perhaps we might run the risk of the feeling that the suggested changes were proposed for the benefit of either one class or another. If there is any suggestion from which all classes in Canada are not going to benefit in full, if there is any change, I do not feel that any change is justified. The changes that are under contemplation, and that have been the subject of most of the discussion to-day, have been changes which have been addressed to provide Canada with proper corporate machinery for securing the necessary capital for the development of this country, and when you consider this matter it would appear that we should keep the interest of the country strongly before us. What is the position with respect to these changes, that is, the changes in respect to no par value shares? Where is Canada drawing her capital from at the present time? We are all pleased to know that Canada is drawing more and more capital from within her own confines for the purpose of industry, and every one of us is anxious that in so far as Canadian industry is concerned, it shall remain under Canadian control, but as we are by comparison with some other countries, more or less young, and a country requiring at this stage a considerable amount of capital for the development of our natural resources, we find in order to raise that capital, and raise it on the terms that are most favourable for the development of industry and sound operation, that those

who are furnishing that capital have to resort to the places from which money can be bought at the most reasonable rates. The result is that when a large issue is brought into Canada a substantial portion of that, in some cases more and in some cases less, it goes to other countries, it goes to England, it goes to France, it goes to Switzerland, it goes to Belgium, it goes to the United States, and how do we get this foreign money? These securities have to go to the investment bankers in those other countries, who have charge of the distribution of securities, and money, among their clients. These people are, more or less, accustomed to being able to put before their clients the securities in a form that has been approved by the most up to date practice in corporate finance, as best suited to, not only the company that is issuing the security, but also the people who are going to buy, because if you were to offer a security that does not look favourable and does seem to carry the necessary protection to the purchaser, if the purchaser is at all well informed, and we know perfectly well that the sources from which the vast bulk of capital comes are well informed, they will not take the security, so it must be made suitable to the purchaser and it is in order that the securities shall be made suitable to the purchaser in many cases, and I think in most cases, that these changes are most important.

Mr. HANSON: In other words, it is marketability.

The WITNESS: It is marketability. What happens? A company requires money and it goes to the investment banker, whose business it is to furnish money for the development of industry. They say, "Will you buy some of our securities?" The investment banker makes his investigation of the enterprise, and considers whether or not it contains all of those degrees of merit which warrant the investment banker approving the investment to his client. If he comes to the conclusion that the investment is a sound one, and he can recommend it to his client, he then says to the company making the issue, "I think well of your general structure, and I think well of your future, but if we are going to do business we must have a security which I can hand on to my clients, which will suit them." Then comes the suggestion in most cases, I think, from the investment banker as to the further interests of his client because the interest of the investment banker is not to fleece and cheat his client, it is to serve him well.

Now, we are in competition in this matter. Say a banker takes a fifteen million dollar issue of securities in Montreal. He does not sell in many cases, all of that in Montreal. A certain amount of that goes to New York, a certain amount to England and other European countries, and although in England they have not, so far as I know, these no par value shares, still the English investor is becoming more and more familiar—and this does not only apply to England, but it applies to most of the European countries, with the New York system, and the New York method of financing, and he therefore is going to look for a security which he considers to be most advantageous and he has before him the practice in the United States in that regard.

Now this morning, when we were having our discussion, some references were made to certain unfortunate cases of corporate finance, where highly improper methods had been adopted. I have never heard previously, of any one particular case that was referred to, and I do not know how much money was involved, whether a large amount or small. It is unfortunate, however, that it was lost, and that somebody was imposed upon, but it would appear to be a great mistake if we should frame all the laws of this country in such a way, having in mind only the malpractice in the corporate field. The vast bulk of the money that goes into the development of this country comes from security houses that have the interests of their clients at heart, because that

is their interest. If they do not serve their clients well, they will go out of business. That is the condition, and it would be a great mistake if Canada, needing money as she does, is going to put an impediment in the way of those who are helping to supply the capital for the development of our industry, and for that reason it seems to me important that our Companies Act should contain all the facilities that are consistent with sound, corporate practice, and for the protection of the investor for the purpose of furnishing capital coming to this country.

It may be said, when I am talking in this way, that I appear to be talking from the standpoint of private interests. I am not talking from the standpoint of private interests. I must say that I have had fairly extensive experience with investment banking houses, but I have had an equally extensive experience with industries that are developing this country, and have had occasion to view both sides of the picture. Furthermore, we have had, I think, with all of the lawyers who are here to-day, occasion to view what is a growing movement and that is the investment of foreign capital in Canada, and when we come to discuss matters with these foreign people, we have to satisfy them in so far as we can, and it is in the interests of Canada to do so, that we have not only sound means of investment, but that we can afford all facilities in the matter of corporate machinery that they can get elsewhere, so far as they can be imported with safety to the investor and with the change that has been suggested this afternoon, as the result of the question raised by Sir George Perley this morning, it will appear that we do get adequate protection in our securities by inserting a prohibition against any part of the consideration received from the sale of no par value shares, having preference as to principal, but attributable to surplus. I might read a suggestion as to accomplishing this result.

In Section 6, subsection 4, we find that the concluding words of that subsection, which empower in so far as this act does at all empower, the carrying of any part of the consideration to surplus, and it is now suggested that the last three lines of that section should read as follows:—

and except in respect of shares without nominal or par value, having a preference as to principal, the board may provide that a part thereof may be set aside as a reserve.

If we put it in that language it would appear that the preferred stock would be taken out of operation entirely of this clause, in so far as carrying part of the consideration to surplus is concerned.

Mr. GEARY: Before that, won't you have to carry some change into subsection 6?

The WITNESS: I considered that, Mr. Geary, but section 6 does not amplify section 4. It is section 4 that grants the power, but in so far as section 4, as now suggested for amendment, is concerned, it would carry no power. I do not think that any modification of section 6 would be necessary, because section 6 only refers to what may be done legally by supplementary letters patent or by-laws. With the amendment now proposed to section 6, it would be illegal to insert in the supplementary letters patent or by-laws, any provision to carry part of the consideration from preferred shares to surplus.

Mr. WEGENAST: Would that mean, Mr. Common, in every case where there was only what you might call common stock, no par value, and where there was no preferred stock without par value, any part of the consideration could be set aside as part of reserve.

The WITNESS: That is the way the law would remain.

Mr. HANSON: You can do that to-day.

The WITNESS: I do not think that it is clear under the present phraseology of the act that that can be done. It has been suggested that that be done now by the Montreal Board of Trade. They suggest, if such be done with regard to the common shares, the amount going to surplus shall be shown on any prospectus or statement in lieu of prospectus, and in the balance sheet.

Mr. GEARY: You do not draw any distinction between reserve and distributable surplus?

The WITNESS: I think the word "reserve" would include distributable surplus.

Mr. GEARY: I should think it would. The language, however, is different, and I wonder if there is any object in doing it that way.

The WITNESS: I would prefer the words "distributable surplus" to "reserve".

Mr. GEARY: In section 4 it is called reserve, and in section 6 it is called distributable surplus, is there any distinction?

The WITNESS: I do not think there is any distinction, and if there is any doubt as to section 4, I would think it was cleared up by section 6.

Mr. MULVEY: The amendment you suggest now should be carried into section 136, which provides the terms of the balance sheet; it should not be section 6 as here.

The WITNESS: We are suggesting an additional clause to section 6. The insertion would make it illegal.

Mr. MULVEY: As now carried in the balance sheet?

The WITNESS: The Montreal Board of Trade recommended that amendment this morning.

Mr. MULVEY: That is section 136.

The CHAIRMAN: We have Mr. Hyde of Montreal here.

Mr. HYDE: Mr. Chairman, I have nothing to add to what has been said by Mr. Common and Mr. Long. We are not trying to protect any particular interest, so far as I know, we just want a workable act.

The CHAIRMAN: We also have Mr. Hughes here.

Mr. HUGHES: I associate myself with Mr. Hyde. I think the two amendments suggested, the first one worked out by Mr. Common, and the other suggested by the Montreal Board of Trade, are satisfactory and I approve them thoroughly. I think a new section, amended by the two sections, will be very good, and at the same time make it safe for the investor.

Discussion follows.

The committee adjourned.



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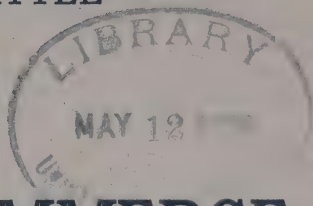
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(Select) Pranday, Clerk, 1930.*

SESSION 1930

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON



BANKING AND COMMERCE

BILL No. 9—AN ACT TO AMEND THE COMPANIES ACT

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 2—TUESDAY, MAY 6, 1930

WITNESS:

Mr. John Appleton, Secretary, Dominion Mortgage and Investment Association.

REPORTS OF THE COMMITTEE

APPLICABLE TO BILL No. 9, AN ACT TO AMEND THE COMPANIES ACT

SIXTH REPORT

TUESDAY, 6th May, 1930.

The Select Standing Committee on Banking and Commerce beg to present the following as their

SIXTH REPORT

Your Committee have considered the following Bills and have agreed to report them with amendments, viz:—

Bill No. 9, An Act to amend The Companies Act.

Bill No. 57, An Act respecting the Confederation Life Association.

Your Committee have ordered that Bill No. 9 be reprinted, as amended.

All of which is respectfully submitted.

F. WELLINGTON HAY,
Chairman.

MINUTES OF PROCEEDINGS

ROOM 429, HOUSE OF COMMONS,
May 6, 1930.

The Select Standing Committee on Banking and Commerce met at 10.30 a.m. Mr. Hay, the Chairman, presided.

Members present: Messrs. Allan, Benoit, Bertrand, Bothwell, Campbell, Casgrain, Cayley, Geary, Harris, Hay, Kaiser, McIntosh, Matthews, Mercier (St. Henri), Pettit, Rinfret, Sanderson, Smoke, Spencer, Steedsman.

In attendance: Mr. Finlayson, Superintendent of Insurance; Mr. Mulvey, Under Secretary of State; Mr. O'Meara, Solicitor, Companies Branch, Department of Secretary of State.

BILL NO. 57, CONFEDERATION LIFE ASSOCIATION

The Preamble having been read, Mr. Finlayson was heard.

Preamble adopted.

Section 1. At the suggestion of Mr. Lash, K.C., of counsel for the promoters, and on motion of Mr. Bothwell, line 5 of the section was amended by adding the following words: "with effect as of the 11th day of April, 1882," and lines 7 to 11 of the section were amended by deleting all the words after "each" in line 8. Section 1 carried, as so amended.

Section 2. At the suggestion of Mr. Lash, and on motion of Mr. Geary, the following words were added to the section: "and the shares of the capital stock of the Association shall be and are hereby vested in the same persons and with the same effect as if section 2 of the Act, chapter 45 of the statutes of 1890, had not been enacted." Section 2 carried, as so amended.

Section 3 carried.

Ordered, To report the Bill with amendments.

BILL NO. 9, AN ACT TO AMEND THE COMPANIES ACT

Consideration was resumed.

Mr. John Appleton was called and sworn. He filed a statement respecting Investment Trusts, which statement appears in the Minutes of Evidence. Mr. Appleton retired.

Section 5. At the suggestion of Mr. Mulvey, and on motion of Mr. Mercier (St. Henri), the following changes were made:—

Line 7. "114 to 116, both inclusive" deleted, and "115, 116, 116a" substituted therefor.

Line 8. "120a" deleted and "119" substituted therefor.

Line 10. The word "and" after (j) was deleted. After (k), there was inserted "(n) and (o)".

Section 5 carried, as so amended.

Section 6. Subsection (1), (2) and (3) carried. In subsection (4), all the words after "company" in the sixth line of the subsection were deleted, on motion of Mr. Mercier (*St. Henri*), and the following was substituted therefor: "and in fixing the amount of such consideration, except in respect of shares without nominal or par value having a preference as to principle, the board may provide that a part thereof may be set aside as a distributable surplus." Subsection (4) carried, as so amended. Subsection (5) carried. Subsection (6). On motion of Mr. Mercier (*St. Henri*), all the words after "outstanding" in the seventh line were deleted, and the following was substituted therefor: "exclusive of such part of such consideration as may be set aside as distributable surplus in accordance with the provisions of subsection (4) hereof." Subsection (6) carried, as so amended. Subsection (7) carried. Subsection (8). On motion of Mr. Mercier (*St. Henri*), line 2 of the subsection was amended by deleting "first day of July, 1930" and substituting therefor "date of the coming into force of this Act".

Subsection (8) carried, as so amended.

Section 11 carried.

Section 14. On motion of Mr. Kaiser, subsection (u) was deleted. Section 14 carried, as so amended.

By leave of the Committee, Mr. Campbell withdrew his notice of motion respecting proposed sections 13A and 37A.

Section 18. On motion of Mr. Lang, the section was deleted, and the following was substituted therefor:

18. The principal Act is hereby amended by inserting immediately after section 50 the following section:—

50a. The chief justice or the acting chief justice of the court of final resort of the province in which the chief place of business of the company is situated, or a judge of the said court designated by either of them, on being satisfied that the omission to file a prospectus, or a statement in lieu of prospectus, or that the omission or mis-statement of any particular prescribed to be contained in such prospectus or statement, was accidental, or due to inadvertence, or some other sufficient cause, or is not of a nature to prejudice the position of subscribers to any issue of shares or securities referred to in such prospectus or statement, or that on other grounds it is just and equitable to grant relief, may, on the application of the company or any person interested, and on such terms and conditions as may seem to the said judge just and expedient, order that the time for filing be extended or dispense with the signature of any director or directors or make such other order as to the said judge seems proper, and a copy of the prospectus or statement filed in accordance with any order of such judge, together with a copy of the said order, shall be deemed for all purposes a compliance with subsection two of section fifty and/or section fifty-two of this Act.

Section 18 carried, as amended.

Section 20 carried.

Section 30 carried.

Section 18a. On motion of Mr. Lang, the following was inserted after Section 18.

18a. Subsection 1 of section 51 of the principal Act is amended by adding thereto the following:—

(o) The proportion, if any, of the consideration received for the issue of shares without nominal or par value set aside as distributable surplus in accordance with the provisions of subsection (4) of section 9 of this Act.

Section 34. On motion of Mr. Lang, this section was repealed, and the following was substituted therefor:

34. Subsection 3 of section 123 of the principal Act is repealed and the following substituted therefor:—

3. Neither the auditor of any company nor any partner nor associate in any accounting or auditing company or business with the said auditor shall be capable of being appointed a director or officer of the company.

Section 34 carried, as so amended.

Section 34A. On motion of Mr. Mercier (*St. Henri*), the following was inserted as section 34a:

34a. Subsection 3 of section 136 of the principal Act is amended by adding thereto the following:—

(n) The total amount received upon the issue of shares of the capital stock which is attributable to capital;

(o) The total amount received upon the issue of shares of the capital stock which is attributable to surplus.

Section 35. On motion of Mr. Mercier (*St. Henri*), this section was repealed, and the following was substituted therefor:—

35. Section 144 of the principal Act is hereby repealed and the following substituted therefor:—

144. (1) Where a compromise or arrangement is proposed between a company and its shareholders or any class of them affecting the rights of shareholders or any class of them, under the company's letters patent or supplementary letters patent or by-laws, the chief justice or acting chief justice of the court of final resort, or a judge of the said court designated by either of them, of the province in which the chief place of business of the company is situated may, on application in a summary way of the company or of any shareholder, order a meeting of the shareholders of the company or of any class of shareholders, as the case may be, to be summoned in such manner as the said judge directs.

(2) If the shareholders or class of shareholders, as the case may be, present in person or by proxy at the meeting, by three-fourths of the shares of each class represented agree to the compromise or arrangement either as proposed or as altered or modified at such meeting, called for the purpose, such compromise or arrangement may be sanctioned by the said judge, and if so sanctioned such compromise or arrangement and any reduction or increase of share capital and any provisions for the allotment or disposition thereof by sale or otherwise as therein set forth, may be confirmed by supplementary letters patent, which shall be binding on the company, and the shareholders or class of shareholders, as the case may be.

(3) Where at a meeting called as hereinbefore provided dissentient votes are cast by shareholders of one or more class affected, and where, notwithstanding such dissentient votes, the compromise or arrangement is agreed to by the holders of three-fourths of each class represented, it shall be necessary that the company notify each shareholder in such manner as may be prescribed by the said judge of the time and place when application will be made to the judge for the sanction of the compromise or arrangement.

Section 36 carried.

Section 40. On motion of Mr. Lang, this section was repealed and the following was inserted as section 40 and carried:—

40. Form F of the principal Act is hereby repealed and the following substituted therefor:—

Form F

STATEMENT IN LIEU OF PROSPECTUS

Fyled by

Limited

Pursuant to section 52 of the Companies Act

Presented for fyling by

The nominal share capital of the company.	\$																		
Divided into..... (Here show the several classes of shares and the amount of each class.)	<table border="1"> <tr> <th>Shares of \$</th> <th>Each</th> </tr> <tr> <td>" \$</td> <td>"</td> </tr> <tr> <td>" \$</td> <td>"</td> </tr> <tr> <td>" \$</td> <td>"</td> </tr> </table>	Shares of \$	Each	" \$	"	" \$	"	" \$	"										
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Amount (if any) paid or payable (in cash or shares or debentures) for any such property, specifying amount (if any) paid or payable for goodwill.	<table border="1"> <tr> <td>Total purchase price</td> <td>\$</td> </tr> <tr> <td>Cash</td> <td>\$</td> </tr> <tr> <td>Shares</td> <td>\$</td> </tr> <tr> <td>Debentures</td> <td>\$</td> </tr> <tr> <td>Goodwill</td> <td>\$</td> </tr> </table>	Total purchase price	\$	Cash	\$	Shares	\$	Debentures	\$	Goodwill	\$								
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Amount (if any) paid or payable as commission for subscribing or agreeing to subscribe or procuring or agreeing to procure subscrip- tion for any shares or debentures in the company, or Rate of the commission.	<table border="1"> <tr> <td>Amount paid.</td> <td></td> </tr> <tr> <td>" payable.</td> <td></td> </tr> <tr> <td>Rate per cent.</td> <td></td> </tr> </table>	Amount paid.		" payable.		Rate per cent.													
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Consideration for the payment.	Amount \$																		
Dates of, and parties to, every material contract (other than contracts entered into in the ordinary course of the business intended to be carried on by the company or entered into more than two years before the fyling of this statement).	Consideration:—																		
Time and place at which the contracts or copies thereof may be in- spected.																			
Names and addresses of the auditors of the company (if any).																			

Full particulars of the nature and extent of the interest of every director in the promotion of or in the property proposed to be acquired by the company, or, where the interest of such director consists in being a partner in a firm, the nature and extent of the interest of the firm, with a statement of all sums paid or agreed to be paid to him or to the firm in cash or shares, or otherwise, by any person either to induce him to become, or to qualify him as, a director, or otherwise for services rendered by him or by the firm in connection with the promotion or formation of the company.

Whether the by-laws contain any provisions precluding holders of shares or debentures receiving and inspecting balance sheets or reports of the auditors or other reports.

Nature of the provisions.

The proportion, if any, of the consideration received for the issue of shares without nominal or par value set aside as distributable surplus in accordance with the provisions of subsection 4 of section 9 of this Act.

(Signatures of the persons above-named as directors or proposed directors, or of their agents authorized in writing.)

.....

.....

1917, c. 25, s. 18; 1918, c. 13, s. 4.

On motion of Mr. Lang,

Ordered, That Bill No. 9, an Act to amend the Companies Act, be reprinted as amended by the Committee.

Ordered, To report the Bill as amended.

The Committee adjourned, to meet at the call of the Chair.

JOHN T. DUN,
Clerk of the Committee.

MINUTES OF EVIDENCE

COMMITTEE ROOM 429,
HOUSE OF COMMONS,
MAY 6, 1930.

The Select Standing Committee on Banking and Commerce met at 10.30 a.m., the Chairman, Mr. F. Wellington Hay, presiding.

JOHN APPLETON called and sworn.

The WITNESS: I am the Secretary of the Dominion Mortgage and Investment Association, which comprises the principal trust companies operating in the Dominion.

I submit the following statement:—

Memorandum, re Investment Trusts

APRIL 5, 1929.

MEMORANDUM for submission to the Banking and Commerce Committee, April 17, 1929.

Re Investment Trusts

The Trust Company Members of The Dominion Mortgage and Investments Association, representing a preponderance of those carrying on the trust company business in Canada, would respectfully submit that it is desirable to regulate the use of such words as "Trust" and "Investment" in the titles of corporations in accordance with the established, and until quite recently, the invariable practice in Canada.

The word "Trust" was not used in the titles of financial companies not authorized to do a trust business until late in the year 1926. At that time and early in 1927, several companies not authorized to do a trust business obtained incorporation under the Dominion Companies Act, with the word "Trust" in their titles.

In the provinces, some companies received incorporation to do identically the same business as those incorporated as "Investment Trusts," so-called, but were not permitted to use the word "Trust" in their titles. The use of the word "Trust" by non-trust companies, therefore, is an innovation in Canada dating from the latter months of 1926.

The use of the word "Trust" in the titles of non-trust companies which do a general financial business is not general, and some of the larger ventures in that particular field have not deemed it advisable to use the word "Trust."

In the United States, the larger proportion of the companies operating on the so-called "Investment Trust" basis have not found it necessary to use the word "Trust" in their titles. Its use has been discouraged by the supervising banking authorities in many states as it is deemed appropriate that the word "Trust" should be used only in the titles of corporation which actually have trustee powers.

In Canada, the practice of confining the use of the word "Trust" to companies with trustee powers is exemplified by the action of the Province of Quebec. By Section 35, Chapter 248, R.S.Q. 1925, it is provided—

35. Every person or company not registered in virtue of this act is forbidden, under the penalty enacted by section 34, to make use in the Province of the word "trust" combined or associated with the words "company," "society," "association" or "corporation," or any other words of a nature to lead the public to believe that such company is a company registered to carry on trust business.

Similarly, the limitation of the use of the word "Trust" to trustee companies is made obligatory in Ontario by Section 129, Chapter 184, R.S.O. 1914, as follows:—

129. Any person, partnership, organization, society, association, company or corporation, not being a corporation registered under this Act or under The Ontario Insurance Act, assuming or using in Ontario a name which includes any of the words "Loan," "Mortgage," "Trust," "Trusts," "Investment," or "Guarantee," in combination or connection with any of the words "Corporation," "Company," "Association" or "Society," or in combination or connection with any similar collective term, or assuming or using in Ontario any similar name, or any name or combination of names which is likely to deceive or mislead the public shall be guilty of an offence; and any person acting on behalf of such person, partnership, organization, society, association, company or corporation shall also be guilty of an offence; but where any of such combinations of words formed part of the corporate name of any corporation theretofore duly incorporated by or under the authority of an Act of Ontario or the Parliament of Canada, the combination may continue to be used in Ontario as part of the corporate name.

In view of the existing practice, therefore, it is urged, on behalf of the Trust Companies which for so long a period have been operating satisfactorily in the Dominion, that

- (1) the word "Trust" should be permitted only in the titles of corporations or companies invested with powers of trusteeship, and
- (2) to permit its use in any other sense in the titles of companies, especially in conjunction with the word "Investment," creates confusion in the public mind.

It may be pointed out that the public in Canada, for upwards of half a century, has had prominently and continuously before it the idea that a company with the word "Trust" in its title was subject to the body of legislation which so carefully protects the exercise of trusts and executorships; and subject also to state supervision. In the public mind there is only one kind of company which is distinguished from others by the use in its title of the word "Trust," signifying that its business pertains to—

Executorship under Wills,
 Administratorship of Living Trusts, Life Insurance Trusts and
 Escrows,
 Guardianship,
 Service as Custodian, Depositary, Transfer Agent, Registrar and
 Fiscal Agent,
 Investments on a "Trust" or "Trustee" and guaranteed basis.

Half a century of trust company effort has succeeded in giving, in Canada, a significance to the word "Trust" in financial companies' titles which definitely associates it with trusteeship, with investments made within the limits set by legislation, and with supervision of a public character. In no other country, perhaps, has this conception of trust company service been so impressed upon the public mind and that it has met a public need is shown by the degree of confidence and respect with which the investing and financially conscious public has come to regard any business which makes use of the word "Trust" in its title or in the literature descriptive of its operations.

Trust Companies, as so well known and understood in Canada, make investments, and it is well known that the limit of those investments is set by statute, and they are commonly known and well understood to be trustee investments.

As a result, there is no combination of words more confidence-begetting than "Investment Trust" and therein lies the danger of its being mis-used. In practice, the investment of, or the deposit of moneys with a trust company, subject to statutory regulation and inspection, differs fundamentally from a corresponding investment in a financial company which adopts the use of the word "Trust" in its title with freedom from the restrictions and supervision, and the obligations of a trust company.

The trust companies have no complaint to make, nor objection to take to the operation of financial companies under any title, so long as they do not include in them the word "Trust"; if they do, then they should be, it is respectfully urged, subject to restrictions, inspection and obligations corresponding to those imposed upon trust companies.

Mr. MULVEY: We were referring to section 5, Mr. Chairman. This section 5 provides for a certain number of the sections of the Act not being applicable to companies that have no share capital. That is a different class of company altogether. Now, we are introducing a number of new sections here which will have still to be taken up and made not applicable to companies having no share capital; for instance, prospectus clauses and all that kind of thing. It is not until we have all the amendments ready that we know what sections are going to be put in here.

The CHAIRMAN: I gather that Mr. Mulvey is of opinion that section 5 should now be passed subject to the changed numbers that will be affected by section 5 when a conclusion is reached by the committee. There is nothing contentious in section 5 at all. Is section 5 carried?

Carried.

The CHAIRMAN: Now, Mr. Mulvey, I think you might clarify that. I find that some of our friends on the committee are not clear as to the relationship of preference shares no par value. By that I mean, if the company winds up or sells out, what would the holders of preference shares of no par value, receive, comparable with the common stock?

Mr. MULVEY: The charter creating the company will set out what is to be paid for each share in companies on a winding up.

The CHAIRMAN: That is, granting that the letters patent carry on the business?

Mr. MULVEY: Yes, the letters patent will state the preference, that is the amount which the holder of preferred shares without par value is to receive ahead of the common shares. For instance, we will suppose there is a surplus

beyond that, then the common shares will divide up equally between them; that is, shares without par value. But the preferred shares without par value will be paid the amount that is fixed as a preference in the charter.

The CHAIRMAN: They are preferred both as to interest and as to the assets of the company.

Mr. MULVEY: Well, you referred to a winding up?

The CHAIRMAN: Yes, a winding up. Whether alive or dead.

Mr. MULVEY: That will depend on the clauses which create the preferred shares. The preferred shares may be cumulative and provide that a certain dividend is to be paid whether it is earned or not, but cannot be paid until profits accumulate in order to pay debt; that is, accumulative dividends. And it may also provide that these cumulative dividends shall be paid, the whole of the preferred shares without par value, before the common shares can get anything, when the company comes to be wound up. It depends on the provisions of the charter creating the preferred shares how they are to be paid.

The CHAIRMAN: So it is flexible?

Mr. MULVEY: Surely.

The CHAIRMAN: It is not a standard act which says that a company incorporated under the act shall, and so on.

Mr. MULVEY: No, it is merely permissible. It enables Parliament to authorize a charter which will contain these powers, and these provisions have to be definite.

The CHAIRMAN: How do you deal with this case? If you have a non par value preference stock, might it not happen that the preference shareholders would get one hundred cents on the dollar only and the shareholders of the common stock might get two or three dollars?

Mr. MULVEY: No, that could not be.

The CHAIRMAN: Why not?

Mr. MULVEY: Suppose there were only sufficient assets to pay the preference shares?

The CHAIRMAN: But suppose there were assets.

Mr. MULVEY: For everybody? Then the preference shares would get their preference and nothing more, and the balance would be divided among the common stockholders.

The CHAIRMAN: So that the preference shares would get their preference, and the common might get all the rest.

Mr. MULVEY: Yes.

The CHAIRMAN: The preference have no voting power.

Mr. MULVEY: That depends on the power that is provided for in the charter.

The CHAIRMAN: Gentlemen, we have Mr. Lash here from Toronto. Shall we proceed with him?

Mr. CAMPBELL: May I ask Mr. Mulvey a question? I am not quite clear on the relative value of the two stocks. For instance, the preferred stock is issued first at 100, and suppose there is another element that has dropped in value to 50, and another might come down to 25 and so on. I am still not clear on the relative value. The common stock will probably depreciate more than the preferred. In the winding up, how is that taken care of? I cannot see that point yet.

Mr. MULVEY: It is a very difficult thing to answer that question. There are no two cases that are alike. We would have to find out what condition the

company is in, in order to give you a complete answer. We will say there are sufficient assets to pay everyone something. Then it does not make any difference whether they pay 100 or 75 or 20, they will get their 100, if the assets are there to pay it. That is one of the provisions for no par value stock which makes it advantageous for the companies, because if they are in a position of difficulty, nevertheless they can go to the public and get money and it avoids the necessity of a complete reorganization. They all come in on an equal basis, getting in the winding up what the charter provides for.

Mr. CAMPBELL: The power is vested in the common shareholders, so that the rights of the preferred shareholders might be jeopardized. The voting power is in the hands of the common stock shareholders, is it not? The preferred shareholders have no vote.

Mr. MULVEY: It does not necessarily follow that the voting is always in the hands of the common shareholders. They may differ in half a dozen ways. There are many different ways of providing for it. It may provide that when the dividend on the preferred shares is paid, the common shareholders shall have a vote. It may provide that when there is double in payment of the dividends on the preferred shares, the common shareholders shall have the vote. It depends on the provisions which you put in the charter. It may be different in as many cases as there are kinds of contract entered into between the shareholders and the company. The company offers its shares to the public under the conditions provided for.

The CHAIRMAN: Mr. Mulvey, I have a letter asking if it would not be possible that an act should pass—this act may be included—providing that all companies operating in Canada would operate under Canadian charters; that they should take out a charter in Canada before operating in Canada. There is no provision of that sort in this?

Mr. MULVEY: No provision at all. Of course that is not a very generous provision. We want foreign companies to come here, if we can do business with them, and I think it would not be fair to say that no foreign company shall come in here at all. It might be a proper thing to regulate foreign companies if they do business here, but there is no provision in the revised statutes of the Dominion regulating foreign companies—none whatever. There is provincial legislation on the subject, which I believe is *ultra vires*; because I believe that a province has no right to lay down any provision whatever respecting a foreign company; it is only the Dominion that has, because "aliens and naturalization," under the British North America Act, are given to the Dominion; and an alien company is an alien just as an alien individual is, and it is under that provision that foreign companies should be regulated. It has not been done.

The CHAIRMAN: We want just a qualification of it. The people have a right to general expressions from your department. Now, you stated the other day, or some one from the department, or some one, in evidence, stated that you wanted to clean up the question of issuing charters to companies, and the thought was that we wanted them to come here and obtain their charters to operate in the Dominion; and if we did not adapt ourselves to modern methods of financing and granting charters, that they might go to Delaware or New Jersey or somewhere else for a charter.

Mr. MULVEY: That is so.

The CHAIRMAN: The thought in my mind was that we might prevent that by saying, if you are going to carry on business in Canada, your charter must be Canadian.

Mr. MULVEY: I would not go so far as to say that every company doing business in Canada should have a Canadian charter, but I think every foreign

company should be regulated, and I think that should be under Dominion legislation. But, that legislation has never been put forward.

The CHAIRMAN: There is nothing in sight yet that would provide for that.

Mr. MULVEY: No. As a matter of fact, the whole situation between the Dominion and the provinces is still under consideration and it may be a result of these negotiations that Dominion legislation, such as I have suggested, will be brought in.

(This concluded the evidence taken respecting Bill No. 9, an Act to amend the Companies Act.)

Discussion followed.

The Committee adjourned, to meet at the call of the chair.



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Canada, Banking and Commerce
(Select) Standing Committee 1931

SESSION 1931

HOUSE OF COMMONS

LIBRARY
JUN 11 1931

(SELECT STANDING COMMITTEE)

ON

BANKING AND COMMERCE

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1 ¹2

WEDNESDAY, JUNE 10, 1931

WEDNESDAY, JUNE 17, 1931

1931

Order of Reference: *Re* Intermediate Credits for Agriculture.

WITNESSES:

Mr. E. W. Beatty, K.C., President and Chairman, Canadian Pacific Railway Company.

Mr. C. S. Tompkins, Inspector General of Banks, Canada.

MEMBERS OF THE COMMITTEE

Mr. ROBERT CHARLES MATTHEWS, *Chairman*,

and Messieurs

Baker,
Black (*Halifax*),
Bothwell,
Casgrain,
Chaplin,
Donnelly,
Dorion,
Embury,
Ernst,
Euler,
Fafard,
Gagnon,
Ganong,
Geary,
Hackett,
Hanson (*York-Sunbury*),
Harris,
Hepburn,
Howard,
Hurtubise,
Irvine,
Jacobs,
Laurin,
Lawson,
Loucks,

MacMillan (*Saskatoon*),
Matthews,
McGibbon,
McPhee,
Mercier (*St. Henri*),
Mullins,
Perley (*Qu'Appelle*),
Pettit,
Power,
Raymond,
Rinfret,
Robinson,
Robitaille,
Rogers,
Rutherford,
Ryckman,
Sanderson,
Smoke,
Spencer,
Stevens,
Sullivan,
Vallance,
White (*Mount Royal*),
Willis,
Woodsworth.

JOHN T. DUN,

Clerk of the Committee.

ORDERS OF REFERENCE

HOUSE OF COMMONS,

THURSDAY, April 23, 1931.

Resolved: That the following Members do compose the Select Standing Committee on Banking and Commerce: Messieurs Baker, Black (*Halifax*), Bothwell, Bowman, Casgrain, Chaplin, Donnelly, Dorion, Embury, Ernst, Euler, Fafard, Gagnon, Ganong, Geary, Hackett, Hanson (*York-Sunbury*), Harris, Hepburn, Howard, Hurtubise, Irvine, Jacobs, Laurin, Lawson, Loucks, MacMillan (*Saskatoon*), Matthews, McGibbon, McPhee, Mercier (*St. Henri*), Mullins, Perley (*Qu'Appelle*), Pettit, Power, Raymond, Rinfret, Robinson, Robitaille, Rogers, Rutherford, Ryckman, Sanderson, Smoke, Spencer, Stevens, Sullivan, Vallance, White (*Mount Royal*), Woodsworth—50. (Quorum 15.)

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

Ordered: That the Select Standing Committee on Banking and Commerce be empowered to examine and inquire into all such matters and things as may be referred to them by the House; and to report from time to time their observations and opinions thereon, with power to send for persons, papers and records.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

HOUSE OF COMMONS,

MONDAY, May 18, 1931.

Ordered: That the following question:—

“Resolved: That, in the opinion of this House, consideration should be given to the setting up of a system of intermediate credits for agriculture” be referred to the Select Standing Committee on Banking and Commerce, with instructions to consider and report thereon.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

HOUSE OF COMMONS,

MONDAY, June 9, 1931.

Ordered: That the name of Mr. Willis be substituted for that of Mr. Bowman on the Select Standing Committee on Banking and Commerce.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

HOUSE OF COMMONS,

WEDNESDAY, June 17, 1931.

Ordered: That the said Committee be given leave to print 500 copies in English and 200 copies in French of the evidence to be taken before the Committee and of papers and records to be incorporated with such evidence in connection with the Resolution of the House referred to the said Committee on May 18, ultimo, viz: "That, in the opinion of this House, consideration should be given to the setting up of a system of intermediate credits for agriculture"; and that Standing Order 64 be suspended in relation thereto.

Attest.

ARTHUR BEAUCHESNE,

Clerk of the House.

REPORTS OF THE COMMITTEE

HOUSE OF COMMONS,

WEDNESDAY, June 17, 1931.

The Select Standing Committee on Banking and Commerce begs to present the following as a Fourth Report:—

Your Committee recommends that 500 copies in English and 200 copies in French of the evidence to be taken before the Committee and of papers and records to be incorporated with such evidence in connection with the Resolution of the House referred to the Committee on May 18, viz:—

That, in the opinion of this House, consideration should be given to the setting up of a system of intermediate credits for agriculture; be printed; and that Standing Order No. 64 be suspended in relation thereto.

All of which is respectfully submitted.

R. C. MATTHEWS,

Chairman.

(Concurred in: June 17, 1931.)

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,

WEDNESDAY, June 10, 1931.

The meeting came to order at 11 o'clock a.m., Mr. Matthews in the chair.

Members present: Messrs. Baker, Black, Casgrain, Dorion, Donnelly, Embury, Gagnon, Hackett, Harris, Howard, Irving, Lawson, Loucks, Matthews, McGibbon, Mullins, Perley, Pettit, Spencer, White.

The Committee took under consideration Bill No. 33, An Act to amend the Companies Act (Auditors), and agreed to report the same with an amendment.

The Committee then took under its consideration the subject matter of an Order of Reference, dated May 18, 1931, viz:—

Resolved,—That, in the opinion of this House, consideration should be given to the setting up of a system of intermediate credits for agriculture.

Mr. Lucas, M.P., was then called upon to explain the purport of the Order of Reference and addressed the Committee at length.

Mr. Speakman, M.P., by leave of the Committee, also made a statement of the conditions in Western Canada calling for the establishment of a system of intermediate credits.

Discussion then took place as to the procedure to be followed by the Committee, when the chairman was authorized to procure the attendance, if possible, of Mr. Beatty, President of the Canadian Pacific Railway Company, also some competent person to explain the rural credit bank scheme in operation in the Province of Quebec and Mr. C. S. Tompkins, Inspector General of Banks.

The Committee then adjourned at the call of the Chair.

A. A. FRASER,

Acting Clerk of the Committee.

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,

WEDNESDAY, June 17, 1931.

The meeting came to order at 11 o'clock a.m., Mr. Matthews in the chair.

Members present: Messrs. Baker, Black (*Halifax*), Bothwell, Gagnon, Ganong, Irvine, Laurin, Lawson, Loucks, MacMillan (*Saskatoon*), Matthews, McGibbon, Mercier (*St. Henri*), Pettit, Robinson, Ryckman, Smoke, Spencer, Willis, Woodsworth—20.

On motion of Mr. Irvine, seconded by Mr. Ganong, it was,

Resolved, That the Committee do report and ask leave to print 500 copies in English and 200 copies in French of the evidence to be taken before the Committee and of papers and records to be incorporated with such evidence in connection with the Resolution of the House referred to the Committee on May 18, viz:—

That, in the opinion of this House, consideration should be given to the setting up of a system of intermediate credits for agriculture.

and that Standing Order 64 in relation thereto be suspended.

(For concurrence: see Votes and Proceedings, June 17, 1931.)

The Chairman read the Orders of the Day:

Resuming consideration of a Resolution of the House referred to this Committee on May 18, ultimo. (Mr. Lucas.)

Mr. E. W. Beatty, K.C., Chairman and President of the Canadian Pacific Railway Company, then addressed the Committee.

On behalf of the Committee, Mr. Chairman thanked Mr. Beatty for his address.

Mr. C. S. Tompkins, Inspector General of Banks, was then heard.

On motion of Mr. Irvine, a vote of thanks was tendered Mr. Tompkins for the very comprehensive presentation made by him, the result, apparently, of very painstaking research.

Mr. Gagnon referred the Committee to reports, etc., dealing with the system of rural credits in Quebec.

The question of what further witnesses should be heard in connection with the remit was left in abeyance, to be considered by the Chairman and a sub-committee to be chosen by the Chairman.

On motion of Mr. Irvine, the Committee adjourned to meet at the call of the Chair.

T. L. McEVOY,
Acting Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

June 10, 1931.

MR. SPEAKMAN: Mr. Chairman, I am not a member of this committee nor do I claim any special knowledge. I did bring forward a resolution and give this matter some study. Mr. Mullins was speaking of the commercial feeding of stock which is a comparatively short period and which is provided for now by the present banks to a certain degree. But there is more to it than that. There is the question of dairy herds. I understand that the Minister has a fairly comprehensive scheme for introducing new blood into dairy herds. There is the question of breeding stock; there is the question of going into proper mixed farming, instead of depending upon one crop. It would involve not only the purchase of the proper kind of breeding stock, with a term of at least three years before any turn-over profit could be made. There is also the question of proper fencing and providing proper buildings and all that goes with proper mixed farming. I will say only this: we have provided long term credits which differ from intermediate credits in two respects: first, the basis of security, which must be a mortgage; second, the purpose for which the mortgage is made, which is for the purchase of land or the clearing up of long term mortgages on more favourable terms, or the erection of permanent improvements. The banks provide for interest being fixed, the purchase of binder twine, and such things; but that is commercial rather than agricultural. Between lies the field referred to as intermediate credits which differs from these others in two respects: first, the nature of the security demanded—there are varied plans which must be stated and which must rest upon chattel mortgages and upon the risk involved, and in all likelihood backed up by first or second mortgages on valuable property. The purpose is to provide for breeding, and, in addition to the breeding of the proper form of stock, to provide for the necessary buildings and fencing to carry on—a basis on which I have carried on for many years at different times. It is a perfectly proper business which cannot produce a profit in less than three years after the bank has been started.

I have made no complaint about banks in that respect—the nature of it precludes them from tying money up in a farm for at least three years. I have had my own experience in the way of cattle buying, that is, in buying the stock and raising the stock over a two year period, and my own experience is that no matter what agreement you may enter into as to the renewal of a note at the expiry of the three years, it will depend entirely upon the individual—the bank manager—backed, as a rule, by the head office which knows very little of the circumstances. The branch bank manager, as a rule, has little power to make loans; he has little executive power.

Much depends on the state of the market, and the result has been most unfortunate for young stock, which is the beginning of a real herd, and has to be sacrificed at a time when it has not brought in one-half of what it should, and as a result the farmer incurred a loss to the bank which would have been unnecessary had those cattle been in condition.

The present attitude of the banks in the matter of such investments as these should be studied to find out as to whether the condition is justified; as to whether we are asking them as farmers to perform a function for which they

were never intended; or as to whether they are actually not fulfilling the function which they should. I say we should extend the terms of the reference so as to ascertain just what is the true position of the banks in relation to agriculture at the present time. My suggestion would be this; that little can be done in a practical way by the Committee as a whole, but that the Chairman might associate with himself two or three men who are interested in the subject—not necessarily all farmers, but one farmer should be on the Committee—to decide as to the practical scope of the enquiry and to decide as to the best witnesses to be called.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

WEDNESDAY, June 17, 1931.

The Select Standing Committee on Banking and Commerce met at eleven o'clock, Mr. Robert C. Matthews presiding.

The CHAIRMAN: We are met this morning for the purpose of hearing Mr. E. W. Beatty, K.C., Chairman and President of the Canadian Pacific Railway, who will speak to us on the special reference. Mr. Beatty will tell us about the Dominion Agricultural Credit Corporation, with the affairs of which he is quite familiar.

Before proceeding, however, if the committee deems it necessary to print the address of Mr. Beatty and others, the authority of the House is necessary to do this printing, and I shall read a motion and ask someone to make it: "That the Committee do report and recommend that 500 copies in English and 200 copies in French of the evidence to be taken before the Committee in connection with the resolution of the House referred to the committee on May 18 be printed; and that Standing Order No. 64 be suspended in relation thereto."

On motion of Mr. Irvine, seconded by Mr. Ganong, the resolution was adopted unanimously.

The CHAIRMAN: The resolution that we are considering, as you know, is that of Mr. Lucas, "Resolved,—That in the opinion of this House, consideration should be given to the setting up of a system of intermediate credits for agriculture."

We shall proceed now with this discussion, and, if we have time, we shall also hear from Mr. Tompkins this morning, because he is leaving town to-morrow. If it is possible, I should like to deal with his evidence this morning, and if it is not possible this morning, we must meet to-morrow morning.

I shall now call on Mr. Beatty.

Mr. BEATTY: Mr. Chairman and members of the Committee, I am not exactly the author of this agricultural credit scheme, because there is nothing particularly novel in the idea, which was suggested in London, last December, and in Winnipeg, last February.

With your permission, perhaps I might quote a paragraph or two of the address I made in Winnipeg, in which I outlined the reasons for the suggestion. I said then: "In December of last year I took occasion, when speaking in London, Ontario, to make certain suggestions as a private citizen for the amelioration of conditions on the prairies, as we then understood them to be, and I indicated, in the course of that address, the propriety of the creation of an agricultural credit corporation to assist in extending mixed farming throughout the West, where physical conditions permitted. I frankly confess that the reason for these suggestions was far removed from one of desire to infringe upon the prerogatives of any governmental or other authority, or to hold myself out as an expert on rural economies or farming operations. I felt that I could make such suggestions, though a resident of the East, and not be misunderstood or have my motives misinterpreted, because it happens that the Company with which

I am associated, and have been for the past thirty years, was the Company which made Confederation possible and linked the East with the West, and from that day its fortunes have been inextricably bound up with the prosperity of Western Canada. I felt, too, that in these times when depression provokes discouragement, and discouragement grievances both imaginary and real, a practical gesture of goodwill on the part of the East and of interest in the problems of the West, under these unusual conditions, would be accepted as proper and as neighbourly and wise. There was no desire to extend charity, but there was every desire to assist, and assist in a way that was readily open to eastern interests, namely, by the provision of the capital requirements of a corporation created to extend credit on fair terms to those in the West who were willing and able and so situated as to have reasonable prospects of success and who desired to diversify their farming operations.

At the outset it should be made clear that the formation of an agricultural credit company is not for the purpose of attempting to meet or correct the unusual or somewhat severe conditions of the present day. It is a policy which can be made effective over a period of years and one which, in the view of many of our most outstanding agricultural experts, should go a long way towards promoting a greater degree of stability in the agriculture of the West. The idea itself is sound, but, inasmuch as it is being advanced at a time when world price conditions have caused considerable inconvenience in the economic life of the country, it would appear advisable that the real purpose of the proposal should be widely understood so that it will not be regarded as a movement to revolutionize western agriculture any more than it is a movement in the nature of a measure of emergent relief. A portion of the press has already chosen to place a rather extensive interpretation on the suggestions which I have indicated have been made, and made with a view to assisting the farmers to develop, as supplementary to their present activities, those safeguards in the business of farming which have already been achieved by some through a certain measure of livestock production having been included in their program. Let me repeat, therefore, that because consideration is being given to these proposals, during a time of depression, when various relief plans of a temporary nature are being discussed, this is not a temporary expedient for the purpose of relief, but, rather, a permanent piece of machinery introduced to the industry of agriculture with a view to developing and maintaining additional sources of sustenance and of revenue from our farms. The permanency of this development should be recognized. It is obvious that the business of farming does not lend itself to sudden changes in policy, insofar as livestock production is concerned, with any profit to the producer.

I will not bother you with this address, because copies are available, if any member of the Committee desires to read it; but I might explain that my connection with the idea is, perhaps, due, more than any other reason, to my association with C. T. Jaffray, a Canadian born at Galt, who, for many years, occupied a prominent place in banking circles in Minnesota, and is now the President of the Soo Line, one of the subsidiaries of the Canadian Pacific Railway. Mr. Jaffray is the Chairman of the Agricultural Credit Corporation of the United States, and has been very enthusiastic over the results achieved in the United States through this Corporation. They operate in Minnesota, North Dakota, South Dakota, and Montana, and I, and others, felt that a similar method might be employed with advantage in Canada, and, therefore, I made the suggestion.

Now, I must confess, when, when I did that, I had not in my mind, particularly, what is before this Committee by way of resolution, that is, the formation of an intermediate agricultural credit method or system, though, in fact, that is what the Dominion Agricultural Credits Company accomplishes.

The reports of the Americans, as the result of their operations, are, at least, consoling, and I asked Mr. Jaffray if he would give me a very brief summary, and he has done so. It is as follows:—

“The organization of the Agricultural Credit Corporation was brought about, in 1924, for the purpose of helping the banks who at that time found themselves with depleted capital and no way of getting money to change the situation. In the first four or five months the Corporation loaned about \$6,000,000, most of which was successful and brought no loss to the corporation. We have a small amount due us now, secured by lands and endorsements, which will be rather slow in working in a final settlement.

At the end of the first six months conditions changed in the country through the fact that the crop that year was good and bank loans were stopped. Then the question of furnishing the farmer funds to buy foundation herds of cows, beef cattle, and sheep was taken up. These loans were limited to \$1,000 each, payable in three years—30 per cent the first two years and 40 per cent the third year. A very satisfactory situation developed and we were able to help many thousands of farmers into a position where they now have sufficient livestock to make their farming operations reasonably sure.

The reasons for the organization of the Corporation were as stated above, but the change from banking to livestock loans was inspired by the fact that, in the older sections of Minnesota, livestock operations had been universally successful and had made the country prosperous and free from the danger of crop failures. This movement was spreading each year, but was naturally of slow growth and the operations of the Credit Corporation, going into effect then, hastened the spread of diversified farming. We now have a large part of Minnesota covered, a good deal of North Dakota, and some sections of South Dakota and Montana, where nothing had been done before.

The plan was a great success and many farmers who took advantage of the opportunity were able to repay their entire loan the first year. Of course, this was abnormal, but even now, with livestock prices materially less, farmers are meeting their payments and establishing themselves in a position of independence.

Knowing, as I do, the situation in our territory, and the ups and downs in the farming community depending upon grain, I have been very active in promoting the diversification program through livestock. I felt I was not only helping the country to become stabilized, but I was also getting the farmer into a position where he is able to meet his obligations, pay his taxes and interest, and make his land produce more grain at less cost. The success of the plan which we have been promoting the last seven years is very apparent now in all territories where livestock has been placed through the fact that while grain prices are low, and under ordinary conditions would make business very quiet and collections practically nil, this is not the case at present. In my investigations, through jobbers and others, I find collections in this territory, especially in the communities where livestock is owned, have been up to the average and it is a constant surprise to merchants doing business with this part of our territory.

The enormous increase in all kinds of livestock shipments, week by week throughout the whole year, is direct evidence of the success which the Agricultural Credit Corporation, and other activities, have brought to our territory.”

Now, this corporation passed an annual report, copies of which I have here, and which are interesting, because not only do they show, in a very brief form, the amount of loans made and the results in repayments, but they contain a statement, or statements, from numerous farmers of their experiences, all of a very heartening character.

The officers and directors of this corporation, of course, are very outstanding men, both in eastern and western United States. There are no less than three railway presidents on the executive committee: Mr. Ralph Budd, President, Great

Northern Railway; Mr. Charles Donnelly, President, Northern Pacific Railway and Mr. C. T. Jaffray, President of the Soo Line. Now, in the first explanation that they made of the reasons for the corporation and the publication of the statistics relating to it, they make this statement, "The purpose of this booklet",—which is both a booklet and report—"is to acquaint those who furnished the capital for the Agricultural Credit Corporation of Minneapolis, and those interested in agriculture generally, with a record of the livestock loan activities of the corporation during its three years of operation. During that period the corporation has loaned money direct to 3,971 farmers in Wisconsin, Minnesota, North Dakota, South Dakota and Montana for the purchase of livestock, these loans totaling \$2,068,469.87. Of this amount loaned \$572,864.50 has been repaid, leaving loans amounting to \$1,495,605.82 outstanding as of December 31, 1926.

It has been the purpose of the corporation, by financing farmers up to \$1,000 each for the purchase of live stock, to assist the small farmer to increase his cash income in a dependable manner. These loans have also helped those who received them, to further diversify their farming operations, and the letters from borrowers reproduced herein are proof that the corporation has had an important part in stabilizing and improving the agricultural condition of these farmers.

"The corporation was organized to help meet an emergency." An emergency, which as you know, was due to the condition in which the banks of the western states found themselves in 1924. "Its experience indicates the wisdom of continuing its activities permanently. The usefulness of such an organization has been demonstrated, first, to help those farmers still in need of help, and to render additional aid to the many borrowers who are already looking to the time when they can again come to the corporation for additional help in expanding their operations along profitable lines."

There follows a statement of all their subscriptions. They were, in fact, somewhat different from the Dominion Agricultural Credit Corporation, in that they issued stock to the extent of \$10,000,000, and they deposited that stock as collateral to an issue of debentures, and they raised the money through the debentures. Sixty per cent was all that was called, \$6,000,000, that being the money they loaned to the individual farmers after investigation. Their plan was an extraordinarily cheap one in the manner of organization, in that they obtained a great deal of voluntary assistance from committees and others in the localities where the farmers were being assisted. He said, "Our general plan is to have a local committee of three to five representative men in each community in which we propose to lend money, one of the committee men generally acting as secretary, and all serving without compensation from the corporation. The committee generally consist of a merchant, banker, outstanding farmer, and the county agricultural agent.

The County Agricultural Agent in the Western States is a County official appointed under the State Law as an Agricultural County Agent, paid a salary, usually by the State, of from \$2,500 to \$3,000 a year; and, in the vast majority of cases, is a graduate of a State Agricultural College.

Applications for loans are taken on the Corporation's forms, and the recommendation of the Committee is provided for in the form. It shows the application of a farmer, the amount and kind of animals he owns, the amount of land he operates, the type of fences and buildings generally, and, also, the type and number and kind of animals he wishes to buy through the Corporation. The Corporation finances the purchase of the animals from nearby operators, but encourages the bringing in of stock from outside.

The terms of repayment are generally 30 per cent, payable at the end of the first year; 30 per cent at the end of the second year; and 40 per cent, payable at the end of the third year, with interest at 6 per cent per annum; and a moderate charge for general expenses of the office, purchasing and insurance

on the animals purchased for three years against loss by fire, wind and tornado. They issued a report in 1927, showing the accomplishments of that year, with the details of which I need scarcely bother you; but their operations have resulted in an almost universal demand in that section of the United States for the continuance of the Corporation as a permanent agency.

With that evidence before us of what was accomplished in the United States, it occurred to me that we perhaps might adopt a similar policy here, if we could secure necessary financial support, and that support would come, in the nature of things, largely from the East, particularly from those corporations in the East, of which there are a great many, which have a very pronounced stake in Western Canada. I, therefore, outlined the scheme, as I understood it, to the Canadian Bankers' Association and to representatives of the trust, loan, mortgage and insurance investment companies, and wrote, as well, to a great many private firms which I knew did a great deal of business in Western Canada.

We found, before we had proceeded very far, that a great many of these Corporations had not the necessary charter power to invest in the stock of a Corporation of this character, and so we secured an Act of the Ontario Legislature, applying, of course, only to those companies which were incorporated by that Province, permitting these trusts and loan companies to subscribe for stock in this Corporation. A similar Bill, as you know, was introduced into this House a few days ago, to authorize or permit Federally incorporated companies to subscribe for stock, provided they did so before July 1, 1932.

The response to the suggestion has been practically unanimous from these Corporations. They believe in the theory that they, naturally, are not going to be responsible for the organization or administration of the Corporation, once this organization is completed.

In Winnipeg, I told them that I thought there were two things that must be kept in mind, and these two factors stood out as of major importance in the development of a sound system of credit; first, the Corporation must be organized in such a way as not to impose a burden upon the farmer for charges and interest and, secondly, the policy must insure safety of the development so that the capital of the loans of the Corporation is not imperilled.

In the United States losses of the Agricultural Credit Corporation have been nominal, practically nothing in most cases. With wise administration and a great deal of voluntary effort, which I think can be brought into the organization, costs of the Dominion Agricultural Credit Corporation should also be low; and, I think, we would be quite safe in limiting its interest charge to 6%, although in the United States, in recent years, in a few cases, for special kinds of loans, the charge is 6½%.

They make a moderate, nominal charge for animals handled, and they make a small charge for insurance, which they are able to do because they cover their insurance by a blanket policy, and get a much cheaper rate than the farmer could possibly get for himself.

In order to effect these fundamental questions of policy, of course you will appreciate that two things are necessary. The organization must be such as will inspire confidence; it must be administered by men of experience in agricultural credits, assisted by those who have a great and intimate knowledge of farming in the district from which the applications for loans come.

The County Agents, used to such an extent in the United States, are perhaps not available to us, in the same way, in many parts of Western Canada, but we have agricultural agents in the employ of the provinces and of the Federal Government, to some extent, I think, whose services might be used, in an advisory capacity, without expense to the Corporation. The same would apply to agricultural experts in the employ of the Railway Companies, and if it was ever thought desirable to use their services, they might be obtained, without cost to the Corporation.

We, of course, could have the same local committee idea, which was adopted in the United States. That was really their great protection and the reason why their losses have been so negligible.

As I have already told you, the total amount of the subscriptions has not yet been received, on account of the inability of these companies to subscribe, due to the absence of the legal power to subscribe, which is now being obtained for them, but even now, half of the amount, namely five million dollars, has been subscribed.

I am afraid some people may have the rather erroneous impression that, because I have had the hardihood to make these suggestions, I was more or less suggesting something new. You know that is not the case, and there is nothing new in the way of agricultural credits which I am suggesting, nor am I, in any way, an expert in the farming branches, nor do I expect to have more to say about it than will any other individual who may be selected, as representing a subscriber on a Board of Directors.

The theory upon which we are working is one that, I think, has been proved which with proper administration can be made effective. We were not endeavouring to trench upon the prerogatives of banks or of any other institution which might exercise similar powers; but, obviously, you will appreciate, with the limitation of the banking powers, they are prevented from doing such things as advantageously as a credit corporation could do them; and, further, a credit corporation has a great advantage over any other medium of issuing loans, and that advantage lies in the fact that it is organized for one purpose only, and that purpose is to be carried out under the auspices and under the direction of men who are peculiarly expert in the questions with which they have to deal.

It is not a part of the general financial operations of a great bank at all, but it is a direct obligation on certain parts of the community, to make loans where it is thought conditions permit of them being made with a certain chance of success. That, of course, distinguishes this organization from what I think, perhaps, is in Mr. Lucas' mind, in respect of intermediate credits. It is an intermediate credit, in effect, undoubtedly, but it was not evolved for that purpose. It was evolved for the purpose of seeing whether we could, through a medium of this kind, be of some practical and real value to the farmers in the West in particular.

Now, gentlemen, those are in brief, the reasons and that is the outline. This Dominion Agricultural Credit Corporation will be organized in due course; it will elect a Board of Directors, which will be composed of men representing Eastern interests, but the majority of them, we hope will be outstanding men in Western Canada, because that is where the real work will be accomplished. And that Board of Directors will name the Officers. The Chief Executive Officer of this Corporation will be a man of great experience in rural credits, and he will be the General Manager. The Corporation will be run like any other Corporation. If it does not make a gain for its owners, they will probably not suffer a loss, and in addition they will have the satisfaction of knowing that the interests they represent are very favourably affected by any increase in the prosperity or stability of the Western farmer.

In brief, that is the outline of the situation. If there is any information which I can give you, in addition to this, of course I will be very glad to do so.

MR. LUCAS: Just as a matter of information, would Mr. Beatty outline what the nature of the security will be?

MR. BEATTY: The security is on the livestock purchased, Mr. Lucas.

MR. LUCAS: As a chattel mortgage.

MR. BEATTY: Yes, and, as I say, a similar procedure was adopted in the United States.

Mr. IRVINE: Someone said in the House a while ago, I think, that you were meeting with difficulty in securing the finances, on the ground that the credit risks of Western Canadian farmers was not good. Was there any truth in that?

Mr. BEATTY: No sir, there has been no suggestion from any Corporation that I have interviewed or written to that they are not entirely in favour of this scheme. Of course there were limitations, in some cases, by reason of the fact that some of the companies had already extended, in their own business, credits in the West beyond which they felt they could not go. But the principal objection was the lack of charter authority to invest, which has now been obtained.

Mr. IRVINE: Have you any idea, or is there any means of getting the correct knowledge, of the amount of credit that could be properly let out in Western Canada in this way?

Mr. BEATTY: It will develop very slowly. Supposing we adopted the principle which has been adopted in Minnesota, of a minimum loan of \$200 and a maximum loan of \$1,000; there, as you know, loans are confined to cattle and sheep, and did not, until quite recently, cover hogs; the reason being that the advances were so small, in the individual case, that the cost of looking after the loans would not justify it; but recently they have, in certain special cases, advanced \$400 or \$500 to a farmer of approved repute and experience, and they may extend that if the circumstances require it. But in Canada, in view of the great stretch of territory over which this Corporation will have to operate, I imagine it will, of necessity, proceed very slowly, and that the loans will be limited, for the first year or so, while the Corporation is feeling its way. The capital will be ample, because, as you will understand, on the repayment of the loan the same capital becomes available for other loans, and it is really a revolving company.

In the United States, notwithstanding the seriousness of conditions there, and the fact that they had subscriptions for \$10,000,000, they only found it necessary to call in 60 per cent of their capital.

Mr. WILLIS: Mr. Beatty, have you any idea when you will be able to commence to operate?

Mr. BEATTY: The Dominion Act has not been passed yet. The Ontario Act has been passed. The Trust and Loan Companies have formed their Committees. They want to make a blanket subscription. I asked them for a very considerable amount of money, and they will divide it amongst the companies according to their capital or assets, on some plan which they propose to use. It should not be long, once the legislation is effective, after which the Board can be appointed. The boards of the companies at present feel that they cannot do anything until their authority is complete.

Mr. MACMILLAN: Have you any idea how many farmers in the United States have taken advantage of this?

Mr. BEATTY: They issue a report, Mr. MacMillan, of their loans, and in the summary, from 1924 to 1930, they show that for sheep, the number of farmers applying for loans was \$7,052; animals supplied, 355,000. For cattle, 6,877 applicants; the number of cattle supplied, 36,188. Net amount of live stock loans made to 13,960 farmers, amounts to \$6,780,000, of which \$4,474,000 have been repaid. That is a very creditable record.

Mr. SPENCER: Can you give the Committee any idea of the interest to be charged?

Mr. BEATTY: Of course I have suggested a rate of interest not exceeding 6 per cent; but the Board of Directors will itself determine that. In the United States a charge of 50 cents per head was made for handling the live stock, and a very small charge for insurance. They were only able to do that and get

such a return on the capital of the Corporation by reason of the voluntary effort which was put into it by so many men in their districts, which, I think, we can duplicate.

Mr. WILLIS: Is the machinery of your company so set up that when you get the legislation you can act?

Mr. BEATTY: All that is necessary is that the machinery be set up, which can be very readily done by passing the necessary bylaws and so on.

The CHAIRMAN: Gentlemen, on your behalf I express to Mr. Beatty the very great thanks of the Committee for his coming here to-day and giving us this address. (Applause).

I am going to call on Mr. C. S. Tompkins, Inspector General of Banks, to give us his evidence now, because he is going away to-morrow and we had better have it to-day and save calling another meeting for to-morrow.

Mr. C. S. TOMPKINS: Mr. Chairman: The members who attended last year a discussion of this subject will recall that certain information was to be obtained, with particular reference to the schemes in operation in several of the Provinces, with respect to short term or intermediate credits.

A great deal of the information was collected, but owing, as you know, to the rather sudden changes in the sessional program, there was not an opportunity to present them to the Committee last year. Occasion has been taken to bring them up to date in order that you might have the most recent figures possible.

I do not pretend, of course, to be thoroughly familiar with the intermediate credit question in any worldwide sense, but since I was charged particularly with obtaining this information of which I speak, I shall confine myself almost entirely to that phase of the question.

First of all, I should perhaps make some brief reference to what the chartered banks are doing, or are authorized to do, under *The Bank Act*, with reference in a general way, of course, to farmers throughout Canada.

In the first place, I would refer to their general powers under Section 75 of *The Bank Act*, with respect to loans, from which, perhaps, I might quote and then follow on with the specific parts which have application.

Under Section 75, Clause (c), a bank is authorized to deal in, discount and lend money and make advances upon the security of, and take as collateral security for any loan made by it, bills of exchange, promissory notes and other negotiable securities, or the stock, bonds, debentures and obligations of Municipal and other Corporations, whether secured by mortgage or otherwise, or Dominion, Provincial, British, foreign and other public securities.

Then, under Section 86, which of course would apply on occasions to loans to persons engaged in farming, banks are authorized to acquire and hold any warehouse receipt or bill of lading as collateral security for the payment of any debt incurred in its favour, or as security for any liability incurred by it for any person, in the course of its banking business.

Then, under Section 88, they are particularly authorized, first, to lend money upon the security of threshed grain; secondly, to lend money to the owner, tenant or occupier of land for the purchase of seed grain, and acquire a preferential claim for the sum loaned upon the crop resulting therefrom; and, thirdly, to lend money to a farmer or any person engaged in stock-raising upon the security of his live stock.

Banks are not empowered to lend against the security of real estate or chattel mortgages, although these may be taken subsequently as security for an existing debt.

Complaints have previously been voiced that the practice of the banks in loaning to a farmer upon notes at maximum terms of three or four months, although at times they are drawn for longer periods, creates an inconvenience,

inasmuch as it is often known, when loans are originally granted, that they cannot be paid off for at least six months or one year. Of course the argument generally advanced in answer to that is that the banks feel it desirable to be in touch with the farmer at reasonable intervals to ascertain the progress he is making, not only in his crop operations but also whether any change has taken place in his general financial position. And, in that way, the procedure does not differ from the practice followed in granting loans for industrial and other purposes; and, therefore, it is, perhaps, not wholly unreasonable.

Evidence was given regarding agricultural credits before the Special Committee on Agricultural Conditions in 1923, and, also, to some extent, before the Banking and Commerce Committee, in 1923 and 1924, although practically all of this evidence was available for the purpose of the Tory Reports of 1924 and his supplemental report of 1925, this evidence had to do mainly with long term mortgage credits, the situation in respect of which was met by the passing of the Canadian Farm Loan Act of 1927. I just mention that by way of prefacing what I have to say in regard to the Provincial schemes, with which I shall now proceed to deal. The Committee, of course, will understand that this is information collected from Provincial sources largely, and tabulated in what I thought was the most convenient way. I am hardly in a position to be cross-examined upon it without a limit, so to speak; and I shall proceed to give it to you, and if you think it is in any sense lengthy, Mr. Chairman, I wish you would tell me so at any given moment.

Alberta.—The Alberta Coöperative Credit Act, passed in 1917, but which did not become operative until 1921, provides for the organization of co-operative credit societies, which can be organized on the presentation of a petition to the Lieutenant Governor in Council of not less than fifteen persons engaged, or agreeing to engage within one year, in farming operations and subscribing for stock in the society of par value not less than \$1,500, on which at least 20 per cent must be paid in cash and the balance secured by the subscribers' promissory notes.

A society cannot commence business until it has received subscriptions for stock from not less than twenty-five persons to an amount of not less than \$3,000, upon which at least 20 per cent has been paid. Additional instalments of 20 per cent are payable annually.

The management of a society is vested in a Board of Directors, four of whom must be elected at the first meeting and annually thereafter by the subscribers only, three of whom are named by the Provincial Treasurer and one by any municipality giving a guarantee to the society.

The Act provides for the guaranteeing of the securities, obligations and financial undertakings of any society by the Lieutenant Governor in Council. Further, the Council of any municipality in the Province may also guarantee, in like manner on account of any society, an amount equal to one-half the total amount of stock subscribed by the shareholders resident within such municipality. On assuming such guarantee, the municipality is authorized to advance the money out of its general funds without taking a vote of the rate-payers, unless otherwise provided by the Lieutenant Governor in Council.

The objects of the societies, as laid down in Section 25 of the Act, are (1) to procure short-term loans for its members for the purposes expressly described; (2) to act as agent for its members in purchasing certain goods, supplies, etc., in selling what is produced by its subscribers and in placing fire and hail insurance; (3) to promote cooperation among its members for the improvement of conditions of farm life.

Advances, if approved by the directors of a society and confirmed by an inspector appointed under the Act, are made upon the borrower's note endorsed by the society, which is negotiated with one of the branches of the chartered

banks. The Act provides that, in the event of the borrower being unable to pay the amount at maturity, the directors of the society may grant a renewal for such further time as may be agreed upon, but not later than the 31st day of December next after the maturity of the previous loan or renewal. Any goods, live stock, etc., purchased with the proceeds of the loan are subject to a lien or charge securing repayment. The Act also provides for the taking of other security, including a charge upon growing crops.

Loans are made only to members of the society and at a rate of interest not exceeding $7\frac{1}{2}$ per cent of which one-half of 1 per cent is returned to the society to be applied as provided by Section 62 of the Act. By Section 32 (a) enacted in 1924, every lender, in taking a note from a borrower, is required to add to the rate of interest one-quarter of 1 per cent or such other percentage not exceeding one-half of 1 per cent as the Lieutenant Governor in Council may direct, which portion of interest must be accounted for to the Provincial Treasurer and is used to provide a common sinking fund for the purpose of defraying losses made by any society.

(Extent of facilities granted).

As Mr. Matthews has arranged to put these detailed figures into the record, I hardly think it worth while to read them.

Mr. IRVINE: I think it would be better.

Mr. TOMPKINS: I might state, at the end of 1930 there were outstanding in loans under this Act \$1,748,455.17, and that that amount had progressively increased in almost every year since the Act first came into operation in 1921. My record shows the amount borrowed each year, the amount repaid, and the balance, etc., and that can all go into the record.

Mr. SPENCER: Give me the total again.

Mr. TOMPKINS: \$1,748,455.17.

Mr. IRVINE: What rate of interest did they charge?

Mr. TOMPKINS: Having regard to the rate of interest, $7\frac{1}{2}$ per cent plus an addition of one-quarter to one-half per cent, which is used to provide a common sinking fund to take care of losses.

Mr. IRVINE: Does the government guarantee these loans?

Mr. TOMPKINS: Yes.

Mr. IRVINE: Why is the rate so high, $7\frac{1}{2}$ per cent, on a government guaranteed loan?

Mr. TOMPKINS: I can scarcely explain, the reasons why. That rate is determined from the start. The fact is that the loans outstanding are all guaranteed loans, the lender in these cases being the branch banks in the country districts and no portion is advanced direct out of general funds of the provinces.

The following table supplied by the Deputy Provincial Treasurer shows the total amounts borrowed and repaid in each calendar year and the balances outstanding at the end of each such year:—

Year	Amount brought forward	Amount borrowed	Amount repaid	Balance as at December 31st
	\$ cts.	\$ cts.	\$ cts.	\$ cts.
1921.....		44,039 21		44,039 21
1922.....	44,039 21	585,920 00	339,499 61	290,459 60
1923.....	290,459 60	540,103 27	449,083 08	381,479 79
1924.....	381,479 79	563,101 82	587,972 60	356,609 01
1925.....	356,609 01	705,600 58	635,359 25	426,850 34
1926.....	426,850 34	1,016,962 47	989,525 19	454,287 62
1927.....	454,287 62	832,642 07	639,910 69	647,019 00
1928.....	647,019 00	1,043,234 59	855,442 41	834,811 18
1929.....	834,811 18	978,175 62	729,993 86	1,082,992 94
1930.....	1,082,993 09	1,051,420 19	385,958 11	1,748,455 17
		7,361,199 82	5,612,744 80	

Mr. IRVINE: Does the bank get $7\frac{1}{2}$ per cent?

Mr. TOMPKINS: The bank gets $7\frac{1}{2}$ per cent less one-half which is remitted to the society in order to take care of certain of their expenses..

Mr. SPENCER: They charge $7\frac{1}{2}$ percent on gilt-edge securities.

Mr. TOMPKINS: The banks render monthly returns under the Act, showing the amount outstanding, the amounts loaned, etc. I was also supplied with information as to the number of societies and members and borrowers and so on, and I think these figures might well go in the record.

Mr. SPENCER: I just asked a question—I think you said $7\frac{1}{2}$ per cent plus a half of one per cent.

Mr. TOMPKINS: What I said was this, if I may repeat it, "loans are made only to members of the society and at a rate of interest not exceeding $7\frac{1}{2}$ per cent of which one-half of one per cent is returned to the society to be applied as provided by section 62 of the Act." Then, further on, I refer to the addition of one-half or one-quarter of one per cent, which portion of interest is used to provide a common sinking fund for the purpose of defraying losses made by any society.

Mr. GANONG: The farmer has to pay 8 per cent in some cases?

Mr. TOMPKINS: I presume he does, in some cases.

Data supplied by Deputy Provincial Treasurer:

December 31, 1930:—

Number of Societies.....	43
Number of Members.....	1,667
Number of borrowers.....	1,203
Average Loan per borrower.....	\$ 1,453 40
Average Loan per Member.....	1,048 86
Share Capital Subscribed.....	219,600 00
Capital paid up.....	130,928 32
Common Sinking Fund.....	28,599 96

Mr. TOMPKINS: Now, I was particularly interested in trying to ascertain the experience with regard to losses, and under date of March 14, 1930, the Deputy Provincial Treasurer supplied a memorandum as follows:

Up to date, the province has not been called upon to implement its guarantee in respect of losses.

The amount of ascertained losses is \$6,287.83, which has been paid out of the Share Capital of the societies incurring the losses.

There is some difficulty in estimating losses that may have to be met in the near future. A good crop in 1930 would avert several probable losses, whereas a bad crop would increase the losses.

A recent survey by the Supervisor indicated a probable loss of between thirty and forty thousand dollars.

There are however, sufficient funds in the Sinking Fund, in the Societies' Share Capital Account, and the Societies' Reserve Account to meet these losses in full.

Mr. IRVINE: What is the date?

Mr. TOMPKINS: March 14, 1930. I do not believe they have reached the stage where they can arrive more correctly at what the situation has been in this respect. As to the cost of administration of the Act in Alberta, I obtained certain figures, which I think also might be put on the record.

In reply to an enquiry directed to the Deputy Provincial Treasurer a year ago, as a result of newspaper comment upon proceedings of the Public Accounts Committee, I was advised under date of March 28th as follows:—

It is true the Co-operative Credit Societies have been under investigation in the Public Accounts Committee, but the investigation was the result of one of our Supervisors having loaned money on land contrary to the provisions of our Act. This transaction did not involve any loss up to the present, and if there is any loss it will be trifling. The facts I have given you are correct.

The losses you mention in connection with Seed Grain and Relief were made under the Seed Grain and Relief Act, and have nothing to do with the Co-operative Credit Act. The Seed Grain and Relief Act, which was in operation over ten years ago has nothing to do with Farm Loans or or any other kind of loan credit.

Briefly, from the beginning until the end of 1929, the total expenses run into \$82,820.08.

Year	Total Expenses
1920.. . . .	\$ 4,139 43
1921.. . . .	8,695 11
1922.. . . .	11,170 58
1923.. . . .	9,094 65
1924.. . . .	11,269 32
1925.. . . .	9,833 49
1926.. . . .	9,459 12
1927-8.. . . .	10,651 77
1928-9.. . . .	8,506 61
Total.. . . .	<hr/> \$82,820 08

Mr. SPENCER: To what percentage does that work out?

Mr. TOMPKINS: I have not worked out the percentage: that could easily be worked out by taking the table. It gives the amount each year.

Mr. LAWSON: Eighty thousand is the amount.

Mr. GAGNON: Two thousand dollars a year.

Mr. LAWSON: The average would be higher than that. Pardon me, before Mr. Tompkins leaves Alberta, do I understand that one can only get the company's guarantee provided one is a member, and one must, in order to be a

member of a co-operative society, subscribe to a minimum of \$1,500? You must be a subscriber in advance?

Mr. TOMPKINS: The subscription is a nominal amount of—

Mr. GAGNON: What is the amount they have to subscribe?

Mr. LAWSON: A minimum of \$1,500.

Mr. TOMPKINS: I said the society can only be organized on condition that not less than 15 persons subscribe for stock in the society at a par value of not less than \$1,500 each.

Mr. LAWSON: One hundred dollars each.

Mr. TOMPKINS: Of which one-quarter must be paid in cash and the balance in subscribers' notes.

Now we come to the Manitoba Act, and, for the sake of brevity, I may say it deals along lines very similar to the Alberta Act. There are differences, here and there. For example, in the first place, these advances are granted under the Rural Credit Act.

Mr. IRVINE: May I suggest here, Mr. Tompkins, that you put the whole thing on record and give us comments on the differences?

Mr. TOMPKINS: I think, probably, the simplest plan would be, if the Committee desires it, to put on record the whole information I have with regard to Manitoba, and let it stand itself as a comparison. It is all there. It is readily seen what the differences are, on examination of the whole.

Mr. LAWSON: Put it all in.

Mr. LUCAS: Give us the rate of interest in Manitoba.

Mr. TOMPKINS: I was just about to deal with that.

MANITOBA

ORGANIZATION AND OPERATION

The Rural Credits Act

This Act, which dates from 1917, authorizes the organization of Rural Credit Societies upon petition to the Lieutenant Governor in Council of not less than fifteen persons engaged in or proposing to engage in agriculture. A society is not permitted to commence business until it has received subscriptions from at least 35 persons to an amount of not less than \$100 each, upon which not less than 25 per cent has been paid. The Provincial Government is authorized to subscribe an amount equal to one-half of the total amount subscribed by individual shareholders and any municipal corporation or combination of two or more municipalities may also subscribe an amount equal to that subscribed by the Provincial Government.

The management of each society is vested in a board of directors composed of nine members, three of which are elected annually by the individual subscribers, three appointed by the municipalities subscribing to the capital stock and three named by the Lieutenant Governor in Council, such directors serving for the terms stipulated in Section 15 of the Act.

The objects of the societies, as laid down by Section 22 of the Act are: (1) to procure short term loans for members for the purposes expressly described; (2) to act as agents for the members in purchasing certain goods, supplies, etc., in selling the products of members and in placing fire, hail and life insurance, and (3) to promote co-operation for the improvement of conditions of farm life throughout the district.

Interest rate under Section 33 is not to exceed 7 per cent, of which one-seventh goes to the local society for the purpose of its business.

Funds were secured through the chartered banks, for the first few years that the Act was in operation. Eventually, however, the banks stated that they were unwilling to continue to loan to Rural Credit Societies at the rate of 6 per cent provided by the Act. Negotiations looking to a compromise on some satisfactory basis were unsuccessful and the Government finally undertook to furnish the different societies with funds direct from the Consolidated Revenue Fund. The Act was accordingly amended, authorizing such advances up to a total of \$3,000,000.

An act was also passed authorizing the establishment of Provincial Savings Offices to receive savings deposits direct from the public.

The Act provides that loans which are duly approved shall be made to members upon notes signed by the borrower and endorsed on behalf of the society. All such loans terminate on 31st December of the year in which the loan is made, but application for renewal for a further period of one year is admissible under certain circumstances. Any goods, live stock, machinery, etc., purchased with the proceeds of a loan, or any products produced as a result thereof, are subject to lien or charge securing repayment. There is also provision whereby additional security can be taken.

The Act originally did not place a limit on borrowings to any one person, the result being that some received unduly large loans. By an amendment which became applicable to loans granted after 20th April, 1923, individual borrowings were limited to \$2,000.

MR. SPENCER: Can you tell me, Mr. Tompkins, if the banks lost any money on the 6% loans?

MR. TOMPKINS: I hardly think they did, because the loans were guaranteed loans.

MR. SPENCER: I have here a letter from a Mr. McWilliam and he says "as long as the banks and the societies and the government were working together from 1916 to 1920, everything went beautifully," and as far as he knew, "there were no losses, everything was successful, and then the banks complained and wanted more interest, and they did not get it, and then they withdrew." He says in this letter he does not think that "the banks lost any money at all."

MR. TOMPKINS: I am not fully familiar with the conditions existing at that time or the point of discussion between the banks and the government. It will be something you will have to get from somebody who knew more about it.

MR. GANONG: I think the banks worked it out, how much it cost them, and I think the record is complete. Probably the banks could not make it pay.

MR. TOMPKINS: I fancy also—I do not cite this as an actual fact—but I fancy there was some question as to the management of these societies themselves in Manitoba. In getting information from the Deputy Provincial Treasurer in Manitoba, he forwarded me a report dated February 8th, 1923, upon an investigation of the work of the Rural Credit Societies, which report was made by Professor W. T. Jackman of the University of Toronto and Mr. Francis J. Collyer, a member of the Board of Trustees of the Province of Manitoba Savings Office. I think several members may recall this report. It was very critical of the general administration of the business of the societies and indicated the possibility of a large loss, which is reflected in the following figures quoted by the Deputy Provincial Treasurer, the result of a report which was not made public.

Under date of March 20th, 1930, the Deputy Provincial Treasurer advised:

1. 74 Rural Credit Societies were formed in Manitoba.
 2. These 74 societies are still in operation but 56 of them are under administration, which is to say that the affairs of these 56 societies are managed from central office by the "Supervisor" and are no longer managed by local directors.

3. Some 9,500 loans, totalling some \$10,000,000 (round figures) were made, but no record has been kept of the loans declined. These figures covered the loans actually made but, in many cases, there was simply a new loan to replace the old, and at no time did the total principal of loans outstanding exceed \$3,000,000.

4. There are now 1,695 loans outstanding, for principal \$1,112,501.05 and for interest \$156,674.45.

5. An investigation was made of all these loans and the report was brought down in December 1928. As a result of the recommendations there was written off as loss for principal \$759,276.49 and for interest \$349,707.29. This report was not published as it covered the detail of each loan but the total figures are shown in the Public Accounts for the year ended April 30th, 1929.

About a year ago I asked the Deputy Provincial Treasurer of Manitoba to furnish me with the total approximate cost to the province of administration of the Rural Credits Act from its inception to date. His reply was: "Administrative cost from inception to date \$299,000."

Mr. GANONG: The cost to the province?

Mr. TOMPKINS: To the province.

Mr. GANONG: They did not get that back from the association?

Mr. TOMPKINS: No, no.

Under date of March 10, 1931, the Deputy Provincial Treasurer referred me to a speech delivered by Premier Bracken on his last budget in the Manitoba Legislature. It is very brief, and, perhaps, I may read it, or I can put it into the record.

Mr. SPENCER: If it is brief, read it.

Mr. TOMPKINS:

Rural Credits

There has been no marked change with respect to Rural Credits during the year. As was to be expected, collections were not so good as a year ago, but quite as satisfactory as the circumstances permitted. The amalgamation, for collection purposes, of this and other collection departments with the Farm Loans Organization, which took place during the year, will result in a more efficient service for each.

The total amount outstanding for principal at April 30th, 1929, was \$1,152,143.60. The total amount outstanding at April 30th, 1930, was \$1,114,738.48. The total of all collections made during the fiscal year was \$98,768.12, which compares with a total of \$158,295.40 collected in the previous 12 months. Of these collections \$55,166.25 was for principal. The total principal amount of loans made during the fiscal year ended April 30th, 1930, was \$17,761.63, of which there has been repaid \$6,151.50.

In the period in question there has been no change in the number of societies, which remains at 74. In that period three more societies requested that they be placed under administration, that is to say, under management from head office, and this was done, so that at April

30th there were 56 societies under administration and 18 were continuing under their own management.

Since May 1st, 1930, 16 of these societies requested that they be placed under administration, and this has been brought about, so that at this date there are 72 societies being managed from head office and only two continue under their own management. These remaining two societies are Elkhorn and Waskada.

That ends the quotation from Premier Bracken's address.

Short term loans are made in Ontario under the Ontario Farm Loans Act, which was assented to on May 3rd, 1921. I think by reason of its similarity with these other acts I may put in the gist of the information with regard to its formation, etc, without reading it.

ONTARIO

ORGANIZATION AND OPERATION

The Ontario Farm Loans Act

This Act was assented to on May 3rd, 1921, and came into operation in the latter part of that year. The system is administered under the Agricultural Development Board, which is also charged with the administration of the Long Term Loans scheme.

Provision is made for the formation of Farm Loan Associations by thirty or more farmers resident within a certain territory. These farmers must each purchase one share of stock in the association of a par value of \$100, of which 10 per cent must be paid up, the balance remaining on call. One or more local municipalities may then subscribe for stock to the extent of one-half of that subscribed for by individual farmers. The Ontario Government is then called upon to subscribe for an amount equal to the subscription of the municipality or municipalities. This means that there would be a minimum total of \$6,000 subscribed capital, of which \$600 would be paid up.

The association is controlled by a board of seven directors, the President, Vice-President and one director being elected by the farmers, and the municipal council or councils and the Provincial Government appointing two each.

The objects of the associations are to procure short term loans for the specific purposes mentioned in Section 25 of the Act. No loan to any member shall exceed \$2,000. The loans are guaranteed by the respective associations but the responsibility under such guarantee is restricted to the amount of subscribed capital. No loan shall be granted to mature later than December 31 in any year, but may be renewed for justifiable reasons for a further period not later than one year after the maturity of the previous loan. Any good, live stock, machinery, etc., purchased with the proceeds of a loan are subject to a lien for the amount thereof to secure repayment. There are also provisions whereby additional security can be taken.

The maximum rate of interest payable under the Act is 7 per cent, one-seventh of which goes to the association for expenses and other purposes, as set out in Section 45 of the Act. It is understood that the rate actually charged at present is 6½ per cent. The Act provides that funds may be supplied through the Province guaranteeing loans with the chartered banks or other corporations, or that the government may loan money to such associations direct. In actual practice the latter method is understood to have been followed.

Ontario, as is well known, operates Provincial Savings Offices, from which source funds are largely supplied for both their long and short term agricultural credits.

In connection with this question generally, attention is directed to the evidence given before the special committee on agricultural conditions on May 3, 1923, by Mr. A. G. Farrow, then chairman of the Agricultural Development Board of Ontario. At that time, however, the scheme had been in operation for less than two years.

Coming down to the extent of facilities granted, I have also been furnished with the names of the associations, the number of borrowers in each, and the loans outstanding, and that can go into the record. The loans outstanding, as at October 31, 1929, were \$133,999.68, and, without being given any exact figures, I was told there had not been any material change at the end of October, 1930, that is, the end of the fiscal year 1930.

Mr. LUCAS:—The total amount?

Mr. TOMPKINS: The total amount outstanding. Fourteen Farm Loan Associations were in operation and had loans outstanding, at that date, as follows:

Name of association	No. of borrowers	Loans outstanding
Balfour-Rayside.....	11	\$ 2,662 26
Cosby-Martland.....	2	295 00
Ekfird.....	17	9,971 00
Glanford.....	3	962 33
Howard	12	5,247 66
Mosa.....	19	11,553 86
Nassagaweya.....	21	8,780 95
Nelson.....	18	13,925 00
North-Grimsby	28	20,469 33
Roxborough.....	6	3,692 95
Sault Ste. Marie.....	13	3,850 00
Seneca.....	7	2,400 00
Toronto.....	23	17,190 00
Trafalgar.....	43	32,999 34
	223	\$133,999 68

In submitting the foregoing statement the chairman of the Board remarked that a few associations had been wound up by reason of lack of activity, and that the tendency of loans had been downward, the maximum having been in the neighbourhood of \$300/350,000. He further remarked that "it is evident. . . that these associations have never been a very important part of the credit machinery of the farmers of the Province."

Mr. LUCAS: What was the rate of interest?

Mr. TOMPKINS: Five and a half per cent in Ontario—one moment,—no, I am wrong, the rate charged at present is six and a half per cent, to the farmers.

Mr. GANONG: Direct to the government or to the bank?

Mr. TOMPKINS: Direct from the government, I believe, because they have taken the provincial savings in Ontario as well as in Manitoba, I suppose.

The CHAIRMAN: What was the cost—

Mr. TOMPKINS: The cost of administration? The chairman of the agricultural credit board, under whom administration of this act is carried out, told

me it would not be possible to separate the cost of administering the short term loan scheme from the long term scheme, but obviously the cost of the short term scheme would be very much smaller on account of the fact that the volume is so small.

Mr. SPENCER: They use money from the savings bank for both schemes?

Mr. TOMPKINS: Yes.

Now, in Quebec—

Mr. SPENCER: Before you come to that, you are giving us the rate they charge for the short term, can you give us the rate for a long term?

Mr. TOMPKINS: I was not talking of long term; I would not like to say off-hand.

Mr. GAGNON: Five and a half per cent.

Mr. TOMPKINS: In Quebec they have what is called "Caisses Populaires," that is, "People's Banks." Several members both last year and this year expressed a desire to have some information with regard to these, and I have obtained all that seems possible.

Mr. IRVINE: Is that the same institution that was mentioned at the last meeting?

Can we obtain anyone to give evidence directly on that point?

The CHAIRMAN: If the committee wishes.

Mr. TOMPKINS: I will be very glad to put in the information I have. I may say the information I have has been obtained partly from reference to the Quebec Statistical Year Book, and by further reference to the statistical officials in Quebec.

QUEBEC

HISTORY, ORGANIZATION AND OPERATION

Caisses Populaires (Co-operative People's Banks)

These are dealt with in Dr. Tory's "Report on Agricultural Credit" of 1924, from which the following passages are quoted:—

The first successful effort to introduce the principle of the small bank for rural purposes in Canada was made in the Province of Quebec. The late M. Alphonse Desjardins, a resident of the town of Levis, after a careful study of the systems of small banks in operation in Europe, decided to introduce into Quebec a system of "People's Banks", the "Caisses Populaires" after the model of the "People's Banks" in Italy.

The first bank was organized under the scheme on December 6th, 1900, in the town of Levis.

The conditions making possible the success of such a scheme were present in the Province of Quebec as in no other province in Canada. The social, racial and religious unity that exists there made it easy for groups of people to co-operate on a common idea.

These banks are not strictly rural institutions, that is to say, they admit to membership persons who are other than farmers, but, in reality, they work out to be more largely in the interest of farmers than any other class, because of the high percentage of farmers composing the membership. While they do not specially aim to do mortgage business, loans are made on first mortgage on immovable property. In addition, they make loans to their members on personal security.

It is a matter of record that between the years 1907 and 1914 attempts were made on no less than six occasions to bring these or similar co-operative institutions under an Act of the Parliament of Canada. For

one reason or another all bills introduced failed of enactment. It is interesting to quote from the debates of 1910 and 1911, vol. 1, pp. 1303 and 1314, the following passages from remarks of the late Mr. F. D. Monk:—

There is this limitation, that the only depositors in the funds of the society are the members themselves. That is the rule that obtains in co-operative societies all over the world. The Bankers' Association declared, when this proviso was inserted in the Bill, that they had no objection whatever to the incorporation, if the taking of deposits and the making of loans were restricted to the members themselves.

The Minister of Finance (Mr. Fielding) submitted this Bill to the Bankers' Association, with the result that he was satisfied when it came before the Banking Committee".

The following information from the Statistical Year Book of Quebec, 1930, p. 434, explains the status, objects and operation of these institutions:—

The Co-operative People's Banks are organized and operate under the Quebec Syndicates' Act, 1906 (now Co-operative Syndicates' Act of Quebec, R.S.P.Q. 1925, Vol. 3, ch. 254).

The transactions of these banks are those of a mutual company, owing to the fact they generally loan only to their shareholders; these have the right of making deposits over and above the amount of their shares. This dual privilege makes them a savings and credit institution. They are a popular credit available to agricultural and industrial classes. The shares are generally fixed at \$5. which may be paid in instalments. Both shares and deposits may be withdrawn on demand. The liability of each shareholder is limited to suscription which generally does not exceed \$2,000 per shareholder.

Shareholders and borrowers must reside within the area of the bank's field of operations; the by-laws may, nevertheless, allow shareholders who move their residence elsewhere to continue their holdings in the bank without, however, allowing them to hold any office. The larger loans are made upon first mortgage and the smaller ones upon notes. A portion of the loan, capital and interest, must be repaid at fixed periods in such a way as to extinguish the debt within a determinate time.

These banks are managed by three committees: the Board of Management, composed of at least five members, but more often nine, has charge of the general direction of the Bank; the Commission of Credit is composed of at least three members, ordinarily of four, its duty consists in examining, approving or rejecting loans asked by shareholders; the Board of Supervision composed of three members examines and audits the accounts, verifies the value of loans and securities required, etc. These services are gratuitous but the manager may be indemnified. Under the present law, the Board of Supervision must have the operations of the banks audited by an accountant, member of an organized federation. This audit is made at the expense of the syndicate if it is not already affiliated to a federation. If requested by a federation, a Board of management or supervision, by 25 members or by two thirds of the members if there are less than 25, the Treasurer of the Province may order such audit to be made".

EXTENT OF OPERATIONS

The following comparative figures showing the progress of the Caisses Populaires as at December 31st in each year indicated are of interest:—

	1915	1920	1925	1929
No. of Banks which sent reports.....	91	100	122	178
No. of Members.....	23,614	31,029	33,279	44,835
No. of Depositors.....	13,696	26,238	33,527	44,685
No. of Borrowers.....	6,728	9,213	9,384	13,553
No. of Loans granted.....	9,095	15,297	13,794	17,994
	\$ cts.	\$ cts.	\$ cts.	\$ cts.
Amount of Loans granted.....	*1,549,759 82	4,272,584 99	3,919,960 84	4,249,650 00
Gross Profits realized.....	99,393 80	311,322 99	449,530 96	645,616 00
Loans Outstanding.....	†1,684,651 01	5,181,391 69	7,087,211 83	10,314,622 03
Deposits.....	1,141,528 34	4,558,053 24	5,799,951 77	8,090,614 45
Capital Stock.....	715,335 59	1,199,170 40	1,534,051 25	1,850,541 54
Reserve and Provident Funds.....	68,337 06	252,627 35	604,381 97	960,667 09
Profits and Initiation tax.....	91,433 51	249,258 24	241,897 71	294,993 08

*Would appear to include renewals.

†This total evidently includes loans of every character; for example it is noted from statistics that during the year 1929 loans were granted on notes to the extent of \$2,517,750, on mortgages \$1,133,669 and on debentures \$598,231.

From the foregoing and figures previously observed it would appear that a substantial portion of loans are granted against mortgages and debentures or long term securities. It would accordingly seem that the institutions are fulfilling only to a limited extent the role of intermediate credit banks as that expression has come to be used in connection with farming operations.

INTEREST RATES

The statistics show that the rates of interest paid on deposits vary from a minimum of 3% to a maximum of 5%, although 3 and 4% appear to be the more common rates. There is no statistical indication of the rates charged on loans, but a communication from the Bureau of Statistics, Department of Municipal Affairs, Quebec, gives me the following information:

As far as I can ascertain, the interest rate charged borrowers from the People's Banks varies from 5 per cent to 8 per cent—ordinarily 6 per cent or 7 per cent,—according to the duration and amount of the loan and the borrower's solvability. The larger notes are made upon mortgages and the smaller ones upon notes. The borrowers are allowed to reimburse their loan by weekly or monthly payments, and after a payment has been made, interest is charged on the amount outstanding only.

In endeavouring some time ago to obtain statistical data with reference to the number of institutions which had been liquidated, resultant losses, etc. I obtained the following report from the Provincial Statistician:—

It was in 1915 that the returns from these banks were collected for the first time and from that year to 1928 fifty of these institutions have liquidated. In some instances, liquidation was due to the insufficient number of members or the fact that they were making no transactions. As to the amount of losses met with, we have absolutely no information owing, as you are aware, to the absence of Government inspection.

During the 1930 session of the Provincial legislature, an attempt was made to enact legislation providing for inspection by the Government. A debate upon the measure indicated that a considerable number of the institutions were opposed to government inspection, while others desired it. The law, as passed, did not make inspection compulsory. It will simply be made effective when desired by any particular institutions themselves.

Mr. IRVINE: That does not appear to me to be a very satisfactory system.

Mr. TOMPKINS: These institutions are operated under Quebec statute; they do not come under our Dominion statutes at all; they are operated under what is called the Co-operative Syndicates Act of Quebec.

Mr. GAGNON: Does it show the nature of the operations?

Mr. TOMPKINS: I have figures here from the Quebec year book showing considerable figures for the years 1915, 1920, 1925 and 1929, that is practically every five year period, showing the number of institutions, the institution members; the numbers of depositors, borrowers, the amount of deposits, the amount of loans, etc. I may say this, the figures I have here, and which I have shown, in regard to the record as to the amount of loans, I think include loans of every character, and I am reliably informed that these institutions grant loans against mortgages or debentures to a large extent; that is to say they are long term loans and they are not essentially short term credit institutions. In fact, they fulfill the function of a short term or intermediate institution only to a very limited extent for that reason. For example, during the year 1929, loans were granted on notes, to the extent of \$2,517,750; on mortgages, to the extent of \$1,133,669 and, on debentures, \$598,231, and I think these figures include renewals during the year as well. I do not think they are all new loans. I say these statistics that are obtainable, such as they are, are not entirely complete and they are obtained from the returns which the institutions make to the Quebec statistical department; and, as the statistician has told me, owing to the absence of inspection, they had no data whatever with regard to the experience of losses on loans made.

Mr. GAGNON: These are rural credits?

Mr. TOMPKINS: These are very largely rural credits, I believe; Mr. Gagnon, correct me if I am wrong. I believe these institutions are preponderantly throughout the country districts.

Mr. GAGNON: In the districts, and there are a large number in the city of Montreal, too. There are three in Ottawa, also.

Mr. TOMPKINS: I think it is correct to say, is it not, that the largest percentage is in the country?

Mr. GAGNON: Yes.

Mr. TOMPKINS: There is no statistical information as to the rate of interest charged, but I am informed that it runs from six to eight per cent.

Mr. GAGNON: Usually six.

Mr. TOMPKINS: Maybe, but I was told that the general portion runs from six to eight. It may be six, or six and a half, or seven, that is my information. That practically completes what I have to say.

With regard to British Columbia, I sent a message, last year, to the Provincial Minister of Agriculture which I might read: "Would you kindly have proper official outline by letter present operation Agricultural Act and Land Settlement Development Act with respect shorter term loans only and past experience of province in administration of these particular loans. Have there been any notable changes in acts or regulations or general policy since Tory report of 1924 to Federal Minister of Finance on agricultural credit?"

This is the reply I received: "Is your inquiry of thirteenth instant relative to short dated farm loans three to ten years under section 30 Land Settlement and Development Act? This province has discontinued agricultural loans. Never had any short term credit scheme on security crops or chattels."

Subsequently I obtained a rough idea of the extent to which three to ten year loans were made under the Land Settlement Act and it appeared that a total of 542 loans had been made, aggregating approximately \$600,000, of which about one-half represented by 257 individual transactions had been repaid in full. Of course, that scheme is in no way comparable to the short term or intermediate credit scheme, and it has had a very limited application, in any event. The other provinces, New Brunswick, Nova Scotia, Prince Edward Island and Saskatchewan—

Mr. SPENCER: What was their rate of interest?

Mr. TOMPKINS: I think their interest ran from six to seven per cent. I was not particularly interested in going into the details when I found out the term of the loan was from three to ten years; they had no similarity to the other provinces in that way.

So far as I know New Brunswick, Nova Scotia, Prince Edward Island and Saskatchewan have nothing in the way of a short term or intermediate credit scheme in operation. That concludes the story, so far as the provinces are concerned.

The CHAIRMAN: Thank you, Mr. Tompkins.

Mr. IRVINE: I think Mr. Tompkins has gone to a good deal of trouble in doing this research work and presenting it to the members of the committee. I wish to move a very hearty vote of thanks to Mr. Tompkins.

Mr. TOMPKINS: Thank you very much, Mr. Chairman.

The CHAIRMAN: Now, gentlemen, that is all the discussion and evidence I provided for this morning. If there is any other person whom you would like to hear, I am sure we will be only too glad to get him for you. Mr. Beatty suggested Mr. Jaffray would come, if you wanted him, and outline what Mr. Beatty himself outlined in connection with the intermediate credits—

Mr. IRVINE: I think Mr. Beatty gave us a very comprehensive view of what is intended.

Mr. GAGNON: In regard to the operation of the Credit Associations in the Province of Quebec, I would refer you to some documents, which may be obtained from the Library under the title "Canadian Pamphlets." There is a very interesting study by Mr. Hector MacPherson under the title Co-operative Credit Associations in the Province of Quebec, and there is another one, "Rural Credits in Canada" by W. T. Jackman, and there is another one by Alphonse Desjardins, entitled "The Co-operative People's Bank" (La Caisse Populaire). These pamphlets give one a good deal of information about the nature of the institutions in Quebec.

Now, besides that, there was a bill presented on that system in the House and I have some information which I would like to give. This bill, introduced by Mr. Meighen, dealt with the industrial and co-operative societies. After being introduced by Mr. Meighen, it was afterwards taken up by Mr. Lemieux, and was thoroughly discussed in Committee, and a great number of people gave evidence before that Committee, Lord Grey who was at the time Governor General, Sir George Perley, and a great number of prominent men gave evidence before the committee.

Mr. IRVINE: You refer to legislation in regard to the Quebec system?

Mr. GAGNON: Yes. It was not exactly the same bill, but another bill along the same line. I would refer you to the debates and to the report of the com-

mittee, from which you can get the necessary information. Afterwards this bill of Mr. Lemieux's was defeated in the Senate by one vote at the end of the session. It was taken up a few years afterwards in 1912, by Mr. Monk, who was the Solicitor General. The bill was read a second time on December 14th, and you will find it referred to in Hansard in 1910-1911, volume one, page 1302. You can get the information in the statute books of 1906, 1908, 1910, 1913 and 1914.

Mr. TOMPKINS: I may say, Mr. Gagnon, I was particularly interested in reading those debates myself; I turned them up and I ran through the whole thing for my own information. It is not included here. I have it separately in my records. (See Appendix to Minutes of Evidence.)

Mr. GANONG: If it is in shape to be put in the record, I should like it included.

Mr. SPENCER: I made a statement the other day outlining the necessity of some intermediate system of credits to farmers. I said that the farmers were getting credit from two to six months and the Chairman asked me if I could prove that and I said I would be very glad to do it.

The CHAIRMAN: I do not think I asked for proof; I asked you to repeat it.

Mr. SPENCER: Whatever you said, sir. I have in my hand a statement from Saskatchewan. Several questionnaires were sent over throughout province from the organization to the farmers and these figures are all interesting. From one point they say they get loans for six months; from one, four months, three, three to four months; eight, three to four months, one, two to four months; one, one to three months; three, one to three months, and 52, two to four months. The figures for Alberta are very similar.

Mr. GANONG: This is entirely new to me, the subject of intermediate or part time credits. Can you explain to me what is meant by "intermediate credits?"

The CHAIRMAN: I think I will ask Mr. Lucas to explain just what he has in mind.

Mr. LUCAS: Mr. Chairman, I gave an outline at the beginning of this discussion. My idea of intermediate credits is, first we have our bank loans. The usual bank loan is three months, which is sometimes extended or can be extended. Then we have the long term mortgage loan, which runs over a period of five to 34 years. Now, in between that there is a gap and we are trying to get just what Mr. Beatty outlined this morning for the development of live stock. A three months loan is not of any particular benefit to a farmer who produces live stock. By the time this three months loan is due, his live stock may not be developed to the extent to go on the market, and if the bank decided to call the loan, he is forced to throw his live stock on the market to repay his loan. My idea of intermediate credits is to get something to fill in the gap between our bank system and the long term loan. The period of an intermediate credit is supposed to be from six months to three years.

After discussion on the calling of further witnesses and the formation of a subcommittee, the committee adjourned to meet again at the call of the chair.

APPENDIX TO MINUTES OF EVIDENCE

CAISSES POPULAIRES

In connection with the attempt some years ago to have the Parliament of Canada pass an Act governing the operation of these institutions, I have gone back to the House of Commons Debates of 1907-08 and find that during that session and subsequently, Bills were introduced on no less than six occasions, but for one reason or another failed of enactment. There Bills were as follows:

Bill No. 2 (1906-07)—“An Act respecting Industrial and Co-operative Societies”;

Bill No. 5 (1907-08)—An Act respecting Co-operation, (Mr. F. D. Monk). Subsequently transferred to Government Orders.

Bill No. 26 (1909-10)—“An Act respecting Co-operative Credit Societies” (Mr. F. D. Monk).

Bill No. 11 (1910-11)—“An Act respecting Co-operative Credit Societies” (Mr. F. D. Monk).

Bill No. 189 (1912-13)—“An Act respecting Co-operative Credit Societies” (Mr. Arthur Meighen);

Bill No. 194 (1914)—“An Act respecting Co-operative Credit Societies” (Mr. Arthur Meighen).

Extracts from Debates of House of Commons:

Session 1907-08. Mr. F. D. Monk. Vol. I, pp. 92-93.

Session 1907-08. Hon. Rodolphe Lemieux. Vol. III, pp. 4547-4555.

Session 1907-08. Mr. F. D. Monk. Vol. III, pp. 4560-4561.

The Bill subsequently was read the third time and passed, but was rejected by the Senate, on July 15, 1908, on a vote of 18 for, 19 against.

Session 1909. Mr. F. D. Monk. Vol. II, pp. 2328-2329;

Session 1909. Hon. Rodolphe Lemieux. Vol. II, p. 2332;

Session 1909-10. Mr. F. D. Monk. Vol. I, p. 340;

Session 1910-11. Mr. F. D. Monk. Vol. I, p. 195;

Session 1910-11. Mr. F. D. Monk. Vol. I, p. 1303;

Session 1910-11. Mr. F. D. Monk. Vol. I, p. 1314.

None of the Bills introduced after No. 5 in the session of 1907-08 appear to have reached their final stages in the House of Commons.

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*Canada Banking and Commerce,
in Select Standing Committee, 1931.*

SESSION 1931

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

BANKING AND COMMERCE

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 2

FRIDAY, JUNE 26, 1931

Order of Reference: Re Intermediate Credits for Agriculture.

WITNESSES:

- M. Eugene Poirier, N.P., Montreal, President, Peoples' Savings Bank,
District of Montreal.
- M. Cyrille Vaillancourt, President, Federation 178 Caisse Populaire, Lévis,
Quebec.

OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1931

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,

FRIDAY, June 26, 1931.

The meeting came to order at 11 o'clock a.m.

Mr. R. C. Matthews in the Chair.

Members present: Messieurs Baker, Black (*Halifax*), Donnelly, Ernst, Euler, Gagnon, Ganong, Geary, Hackett, Hanson (*York-Sunbury*), Hurtubise, Lawson, Loucks, Matthews, Mercier (*St. Henri*), Mullins, Perley (*Qu'Appelle*), Smoke, Spencer, Sullivan, White (*Mount Royal*)—21.

The Chairman read the Orders of the Day.

Resuming consideration of a Resolution of the House referred to this Committee on May 18, viz:—

Resolved: That, in the opinion of this House, consideration should be given to the setting up of a system of intermediate credits for agriculture—*Mr. Lucas.*

Mr. Eugene Poirier, N.P., of Montreal, President, Caisse Populaire de Ste. Cecile, Montreal and President of Peoples' Savings Bank of District of Montreal addressed the Committee.

Mr. Cyrile Vaillancourt, President, Federation 178 Caisse Populaire, Levis, Quebec, also addressed the Committee.

Mr. Vaillancourt addressed the Committee in French, but was interpreted verbatim by M. Henri Vallieres, of the Debates Translation Branch, House of Commons.

The Chairman announced that a sub-committee composed of the Chairman, Hon. W. D. Euler and Mr. H. E. Spencer would take under advisement the question as to what other witnesses, if any, shall be heard in connection with the remit.

On motion of Mr. Lawson, the Committee adjourned until Tuesday, June 30, at 11 o'clock a.m.

T. L. McEVOY,

Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 429.

FRIDAY, June 26, 1931.

The Select Standing Committee on Banking and Commerce met at 11 o'clock a.m., the Chairman, Mr. Robert C. Matthews in the Chair.

Order of Reference: Re Intermediate Credits for Agriculture.

The CHAIRMAN: We are pleased to have with us to-day as one of our witnesses Mr. Eugene Poirier, N.P., of Baron & Poirier, Notaries, Montreal. Mr. Poirier is President of Caisse Populaires, Ste. Cecile of Montreal, and President of Montreal District, Peoples Savings Bank. I have much pleasure in calling on Mr. Poirier who will address us in English.

Mr. POIRIER: Mr. Chairman, and gentlemen, I will try to give you an explanation of the operation of the Peoples' Savings Bank of the Province of Quebec. In the Province of Quebec there are 178 Peoples' Savings Banks which, since 1915 to 1930 have received as deposits \$132,054,537, and have paid out in the same period, \$124,751,639 and have now deposits of approximately \$9,000,000. The Peoples' Savings Banks are operating in virtue of the Co-operative Syndicates Act which was adopted by the Legislature of Quebec, in 1905. The first Peoples' Savings Bank commenced its operation in 1900, thirty years ago. If you want to follow me as I proceed, I will refer you to our pamphlet at page 25, where it says, "the Co-operative Syndicates are instituted for credit," and the nature of those associations is dealt with in the third clause. "Such Syndicate, or association shall be of the nature of a joint stock company, the responsibility of its members or the shareholders being limited to the amount of their respective shares."

But I will call your attention to two facts: "whatever may be the number of his shares," each shareholder may have only one vote—to protect the control of the association. A member who has subscribed shares in the capital stock of the company and who wants to withdraw from the association has the right to withdraw by sending a letter to the association, and the corporation is obliged to give him back the money subscribed, less the membership fee.

Mr. LAWSON: And without any accumulation of profit?

Mr. POIRIER: No, because the profit has been distributed every year.

Mr. LAWSON: In proportion to the number of shares held?

Mr. POIRIER: Yes. I now refer you to page 26, clause 6: "the object of the association shall be to study, protect and defend the economic interest" of its associates—I am reading from the sixth line—"open up credits for them and make loans to them." Now I am speaking of the Peoples' Savings Bank operating in the City of Montreal. Clause 8: "at least twelve members shall be required to constitute a co-operative association under this Act."

Mr. SPENCER: What constitutes an association?

Mr. LAWSON: That is a French interpretation for persons; it means twelve persons.

Mr. POIRIER: Yes, twelve persons. I now refer you to clause 9: "The amount of each share in the association shall be fixed by the by-laws, but shall not be less than \$1." Usually, in the Province of Quebec, the amount of a share is fixed at \$5.

Clause 12: "The association shall be constituted by a memorandum, in accordance with form 1, signed in duplicate" One is sent to the secretary or clerk's office in the city. There is no formality about it, and there are no legal fees. Then the corporation is constituted, but the association is managed by three different committees. Clause 15: "Board of Management: the association shall be managed by a Board known as 'the Board of Management' composed of at least five members." The directors have the responsibility for the management of the affairs of the association, but they have no control of the money of the association; the directors have no right or authority and no power to grant a loan. There is a second committee composed of three members. This committee has authority to supervise all the matters and the affairs of the corporation. There is a third committee, which is the most important committee of the association, the committee on loans and credits. This committee is composed of three members elected at a joint meeting of the shareholders, and those three members have the authority to examine the applications filed for loans. If one of the three does not give his consent it is impossible for the committee to grant a loan; there should be unanimous consent. Suppose a member has filed an application in this committee to get a loan, and it is not satisfactory, he may appeal to the Board of Management, but the Board of Management has not the authority to grant a loan. This Board may examine the applications and then discuss them with the committee on loans, but members constituting the committee of audit or the committee of loans are in no way responsible for anything due to the association. It means that it is impossible for them to borrow money or to endorse for other people.

Mr. LAWSON: May a man be a member of more than one committee?

Mr. POIRIER: Usually one committee.

Mr. GAGNON: You said, as I understood you, that the members of the committee had no right to borrow money?

Mr. POIRIER: Except the members composing the Board of Management.

Mr. GAGNON: And the members of the Committee on Credit. All the other members have the right to borrow for themselves?

Mr. POIRIER: Right.

Mr. GAGNON: Or to obligate themselves?

Mr. POIRIER: Yes. Article 21: "No member of the Board of Supervisors may directly or indirectly borrow from the association, or become security for any borrower." I draw your attention to the same clause in article 22, page 31, the last line of the paragraph: "the members of such committee shall neither directly nor indirectly borrow from the association nor become security for any borrower."

Now, at the end of the year, the Board of Management examines the affairs of the committee, and then the Board of Management recommends to the shareholders to determine the amount of profits to be paid to the shareholders, after constituting a reserve fund, at least 10 per cent reserved profits. Usually we have two reserve funds, one which we call a reserve fund, and a second which we call a provident fund, and usually, in the Province of Quebec, we put 20 per cent of reserve profits in the reserve fund, and 10 per cent in the provident fund—30 per cent of the net profits, and the balance we distribute as a bonus to the shareholders.

Mr. GAGNON: Every year?

Mr. POIRIER: Every year. Now, this association is mutual; all the profits are paid to its members. The different officers give their services free of charge, excepting the manager who has the right to receive a salary.

Mr. GAGNON: What is the usual salary paid to the manager?

Mr. POIRIER: We have total assets of \$354,000, and we pay our manager \$25 a week. We keep these two funds against eventualities.

Mr. SPENCER: I take it for granted that the manager may run some other business such as his own business, or that he may do other work besides looking after this association?

Mr. LAWSON: Does the work take up his whole time?

Mr. POIRIER: Yes; but in the case of the Caisse Populaires, Ste. Cecile of Montreal, we give the manager the right to issue the insurance policy on the property on which we have any mortgage loans. That gives him something more.

Mr. LAWSON: Perhaps 20 per cent of the premium.

Mr. POIRIER: Last year we loaned \$56,000.

Mr. GAGNON: You spoke of the one savings bank.

Mr. POIRIER: The Caisse Populaires Ste. Cecile of Montreal. We have loaned \$56,000 to 116 different members. We have loaned \$35,000 on mortgage loans for 16 different loans. We have loaned \$12,200 to 57 members on notes with endorsements (see Appendix A). We do not lend \$5 without having the endorsement of another member.

Mr. LAURIN: On three month notes?

Mr. POIRIER: Three month notes with a monthly instalment, and naturally we renew the note, providing the member has paid the monthly instalment.

Mr. SPENCER: You have a guarantee of renewal?

Mr. POIRIER: Yes, the People's Savings Banks belong to the members. It is a mutual affair, and there is no reason to refuse to renew a note.

Mr. LAURIN: You used to have endorsements from other members?

Mr. POIRIER: Just to give a guarantee to the bank.

Mr. LAWSON: Anybody whose credit is accepted by the management?

Mr. POIRIER: We are insisting upon endorsements of notes for this reason: because the People's Savings Bank is operating in a parish, and in the same district where all the people know each other. Suppose Mr. John asked for a loan of \$100, and he is not responsible, we will ask him to get somebody to endorse for him, and suppose that five minutes afterwards Mr. Paul comes in and asks for a loan of \$50, we may not ask for any endorsement. Just to avoid any cause of trouble, everybody is on the same footing. We ask them to get somebody to endorse for them. After having operated for thirteen years—I am speaking now of the Caisse Populaires Ste. Cecile of Montreal—and having done business amounting to \$6,700,000, and last year to \$944,000, we haven't lost one cent.

Mr. LAWSON: What rate of interest do you charge?

Mr. POIRIER: Six per cent.

Mr. GAGNON: The other day Mr. Tompkins stated before this Committee that the interest was between 6 and 8 per cent. Will you state whether it is true that you charge 8 per cent?

Mr. POIRIER: Six per cent.

Mr. LOUCKS: Do you compound that interest every three months?

Mr. POIRIER: Every three months.

Mr. HACKETT: There is no difficulty, because you exact the payment of interest monthly?

Mr. POIRIER: Yes, monthly; and if the member does not pay the monthly instalment, we refuse to renew the note. He will give us \$1 in good faith and we will renew it.

Mr. HACKETT: Let us clear up this question. Take a note of \$100, and a promissory note is evidence of the indebtedness to-day, now when does he pay the interest? Does he pay it on \$100 for three months at 6 per cent? That is \$1.50?

Mr. POIRIER: The interest is calculated so much per day.

Mr. HACKETT: Does he pay that in advance?

Mr. POIRIER: In advance; but if he pays back the money loaned before maturity, we will give back the amount of interest paid.

Now, just to show you the manner in which we are operating, we have made 57 loans on notes with endorsements. I will give you some particulars: one loan of \$20, two loans of \$25, two loans of \$30, one loan of \$40, two loans of \$50, one loan of \$75, thirteen loans of \$100, one loan of \$110, five loans of \$125, three loans of \$150, five loans of \$200, six loans of \$300, two loans of \$350, four loans of \$400, one loan of \$475, and seven of \$500. We cannot make a loan exceeding \$500 by note. This is decided by the shareholders at a general meeting.

Mr. GAGNON: Supposing the shareholders would determine that the limit of loans would be \$1,000 would that be legal?

Mr. POIRIER: Yes.

Mr. GAGNON: It is up to them?

Mr. POIRIER: Yes, it is up to them.

Mr. GAGNON: You are speaking of loans on notes?

Mr. POIRIER: Yes, on notes.

Mr. GAGNON: Have you the same by-laws for loans on mortgages?

Mr. POIRIER: Oh, no.

Mr. LUCAS: What is the limit on mortgage loans?

Mr. POIRIER: 50 to 55 per cent of the value of the property.

Mr. GAGNON: Supposing a farmer has a farm valued at \$5,000, municipal valuation, do I understand that you can loan him \$2,500?

Mr. POIRIER: In some cases we may go up to \$3,000. We have adopted this system; we make a loan for five years with monthly instalments.

Mr. GAGNON: The man who borrows the money can reimburse you every month?

Mr. POIRIER: Yes, every month. He is obliged to pay an instalment every month. After five years, we renew. We have never called a loan.

Mr. LUCAS: That is at 6 per cent interest also?

Mr. POIRIER: Yes.

Mr. LAURIN: Is he obliged to give monthly instalments or pay an instalment twice a year?

Mr. POIRIER: No, we insist upon the payment of monthly instalments, because we want the member to come monthly to the bank.

The CHAIRMAN: That is why you are not making any losses?

Mr. LUCAS: What is the limit of your loan on notes?

Mr. POIRIER: \$500.

Mr. HACKETT: Upon what do you base your appreciation of a man's capacity to pay? You have already said that these are parochial concerns and that all of the members know more about the business of the individual lender than he knows himself, and that he cannot borrow more than he is capable of paying, and he must have an endorser of whose solvency you are certain.

Mr. POIRIER: Yes, all live in the same district. We know all the members very well. As directors we have usually the doctor, the dealer, the notary and such different people; thus we know absolutely the personal history of each member, and that is why we haven't lost a cent. We know our people, and many times we refuse to make any loans, because we know if we are making a loss of \$1 all the parish will know about it.

Mr. DONNELLY: In the case of the man to whom you loan money, do you carry him on?

Mr. POIRIER: I am speaking of the Caisse Populaire of Montreal, because each People's Savings Bank is independent; it is autonomous. We want the borrower to reimburse one-fifth of the loan during the period of five years.

Mr. DONNELLY: One-fifth? Do you mean each year, or in the five years?

Mr. POIRIER: In the five years. We are lending him \$5,000 and we insist upon the borrower reimbursing during that period \$1,000.

Mr. DONNELLY: And all interest?

Mr. POIRIER: And all interest.

Mr. SMOKE: Will you renew the note for more than \$4,000?

Mr. POIRIER: It depends on the circumstances.

Mr. MULLINS: If I borrow \$100 do you give me the hundred dollars, or do you take the interest?

Mr. POIRIER: We take the interest in three months.

Mr. MULLINS: You take the interest out of the \$100?

Mr. POIRIER: Yes.

Mr. MULLINS: You give me \$100 less the interest?

Mr. POIRIER: Yes, at three months, at 6 per cent.

Mr. GAGNON: Will you explain that in the majority of the People's Savings Banks, if you borrow \$100 you will receive a full \$100. In Mr. Poirier's branch in Montreal, they pay the interest first, but as you stated before, if a man reimburses the money borrowed before the expiration of the term, you reimburse to him the interest which has been paid?

Mr. HACKETT: It is not quite accurate to speak of them as branches.

Mr. POIRIER: The Caisse Populaire.

Mr. HACKETT: They are autonomous and separate and distinct from one another.

Mr. POIRIER: . Yes.

The CHAIRMAN: Is there any control over the different Caisse Populaires?

Mr. HACKETT: None, except as given by the statutes. They are absolutely separate, just as companies organized under The Companies Act.

Mr. POIRIER: Oh, these Peoples Savings Banks are inspected, because each district has an inspector who makes the inspection of each People's Savings Bank in the district. Last year, 1930, the government of the Province of Quebec adopted a special law to inspect the Peoples' Savings Banks, upon request made by individual Peoples' Savings Banks, and our bank was inspected in May.

Mr. GAGNON: This inspection is free to their shareholders, it is paid for by the government?

Mr. POIRIER: Yes.

Mr. LUCAS: What rate of interest do you pay on your deposits?

Mr. POIRIER: We pay 3 per cent, and on any inactive amounts of at least \$500, we pay 4 per cent.

Mr. LUCAS: A re-loan is given at 6 per cent.

Mr. POIRIER: The loan is at 6 per cent. We pay a dividend of $5\frac{1}{2}$ per cent to the shareholders.

Mr. GAGNON: At the end of the year, you take the profits and divided the balance?

Mr. POIRIER: Yes.

Mr. MULLINS: You must have a low cost of management.

Mr. POIRIER: We have now, I will give you figures in three statements which show the operation. In the 15 years the Peoples' Savings Bank has loaned \$52,000,000 in 17,900 different loans. On this amount of \$52,000,000, \$43,582,000 has been reimbursed leaving a balance unpaid of \$10,000,000.

Mr. GAGNON: Which is fully secured?

Mr. POIRIER: Yes. The second statment: \$2,600,000 has been subscribed through the capital of the different Peoples' Savings Banks, \$1,350,000 has been reimbursed. Remember, I told you that any member has any right to withdraw from the association. That leaves the capital paid at \$1,850,000.

Mr. GAGNON: In one parish a certain number of people applied to become shareholders. When they withdrew other people applied and took their places?

Mr. POIRIER: Yes. And many times they change their residence in which case, naturally, they withdraw their money. We have now 44,000 members.

Mr. LAURIN: Do you mean that a member from another district cannot be a member in your district?

Mr. POIRIER: No.

Mr. SMOKE: You do not lend outside of your own district on securities?

Mr. POIRIER: Usually we do not do that—just in the district where the Caisse Populaire is operating.

Mr. LUCAS: Are these loans all made for agruculture?

Mr. POIRIER: I am speaking for Montreal; Mr. Vaillancourt will speak about agriculture. But it is the same thing. We give credit to the labouring classes. I will give you a sample. We have a member who every year, for ten years, has borrowed during the month of June, between \$40 and \$50 to pay for his coal, and he reimburses one dollar a week until the loan is paid.

Mr. GAGNON: Is it not a fact that the labouring classes in the city have been able to buy houses with the help of the association?

Mr. POIRIER: Yes. On a capital of \$354,000, we loaned \$343,000 on first mortgage loans—on buildings in the parish. The most of them are to labourers. The applications are six months in advance, and the government will advance to our Caisse Populaire \$1,000,000, and that money will be loaned by us. Everybody want to get loans, and we take applications in order of filing.

Mr. GAGNON: You mean to say that you have not got enough money to meet demands for loans?

Mr. POIRIER: Yes. I thank you very much, gentlemen. You will excuse me, I trust, if my explanation was not very clear, but I will ask my friend, Mr. Vaillancourt to complete the matter.

Mr. SPENCER: There are two questions I would like to ask Mr. Poirier. What security do you take for these small loans, outside of the notes assigned by the borrower and his backer?

Mr. POIRIER: The endorsement.

Mr. SPENCER: Just the endorsement?

Mr. POIRIER: Yes. We have first the moral guarantee of this man. Take the case of the man who borrows \$40 to pay his coal bill; we know him, he is a

tailor. We know the place where he works; we know his family, and from a moral point of view he is perfect. We have the endorsement of his father-in-law, who is foreman in a large Montreal concern. We know the family very well. There is absolutely no risk.

Mr. SPENCER: The other question I wanted to ask had regard to inspection. Is the inspector a man employed by the Government, and does he inspect all of these units?

Mr. POIRIER: Just now, there is an inspector appointed by each district of the People's Saving Bank. We have one for the district of Montreal. There is one for the district of Three Rivers, and one for Quebec district. More than that, we are fighting to get compulsory inspection by the Government.

Mr. HACKETT: You have not got that yet?

Mr. GAGNON: The law was passed last year, but it is not compulsory yet.

Mr. POIRIER: It can be done now at our request. Last year, at the general meeting of all the People's Savings Banks, we asked for compulsory inspection by the Government.

Mr. SPENCER: I think you said that you have your own inspector?

Mr. POIRIER: Yes.

Mr. HACKETT: And a Government inspector on request?

Mr. GAGNON: If you will look at the last page of this little book you will find the law passed in 1930. (C. 92—An Act to amend the Quebec Co-operative Syndicates Act, respecting inspection of certain syndicates.)

Mr. POIRIER: The first inspection is made by the members of the committee—those three members who supervise all the business done by the association. The second inspection is made by the inspector of the People's Savings Bank. More than that, we have, on request, inspection free of charge by the Government.

The CHAIRMAN: There are two statements which were referred to by Mr. Poirier in his evidence, one on credits and dated April 30th, 1931; and the other a summary of the operations of the Caisses Populaires, Desjardins. These will be included as appendices to the report. I want to thank you, Mr. Poirier, on behalf of the committee for your very interesting evidence. It was very nice of you to come here and give us this information. I wish to announce to the committee that at the request of the committee last meeting I have appointed a committee to confer with me on further evidence and the scope of the inquiry. I have asked the Hon. Mr. Euler and Mr. Spencer to confer with me on these matters, and they have both consented. Now, we are to hear the evidence of Mr. Vaillancourt.

M. CYRILLE VAILLANCOURT, président de la Fédération des Caisses populaires, de Québec, comparaît.

M. VAILLANCOURT: Dans le district de Québec, nous avons une organisation centrale, avec une Caisse centrale, et nous contrôlons 112 caisses. Dans toute la province de Québec il y a 178 caisses, et dans le district de Québec nous contrôlons 112 caisses, c'est-à-dire au delà de 60 p. cent. Nous avons une caisse centrale. Les caisses locales envoient le surplus de leurs fonds à la Caisse centrale qui peut disposer de ces fonds en les transportant aux autres caisses qui en auraient besoin.

Dans le district de Québec, nous prêtons surtout aux cultivateurs. Quarante-vingt-dix pour cent des prêts sont faits aux cultivateurs. C'est donc dire que nous prêtons très peu sur billet. Nous prêtons sur hypothèque. Lorsqu'un cultivateur vient pour emprunter de l'argent d'une caisse, comme M. Poirier l'a expliqué tout à l'heure, nous faisons une enquête pour connaître sa valeur. La première chose que nous considérons, c'est la valeur morale de l'emprunteur; la valeur de la terre passe après.

Si l'emprunteur désire emprunter pour acheter, par exemple, une automobile—je ne parle pas d'un camion dont il pourrait se servir sur sa terre, mais une automobile de promenade—alors nous refusons de lui faire un prêt.

Nous ne chargeons pas d'intérêt à ce moment-là. Si quelqu'un emprunte mille dollars sur hypothèque nous signons un contrat et nous lui donnons mille dollars.

M. HACKETT: Il faut payer le notaire?

M. VAILLANCOURT: Le notaire est payé par l'emprunteur, c'est entendu.

Mr. SPENCER: What are the fees?

M. VAILLANCOURT: Cela dépend des titres. Tout dépend du travail qu'il faut consacrer à l'examen des titres. L'intérêt se paie tous les trois mois.

Maintenant, je vais vous donner un cas concret, le mien. Un jour, j'achète une propriété pour \$4,500. Je demande à la Caisse Populaire de me prêter \$2,500. On me prête \$2,500 remboursables \$40 par mois.

M. LAURIN: Sur une propriété, non pas sur une terre?

M. VAILLANCOURT: C'est la même chose. C'était sur une terre avec une maison dessus. Le \$40 comprenaient le capital et l'intérêt. Je donnais \$40 par mois. Tous les trois mois l'intérêt était compté; mais je ne payais jamais plus que \$40 par mois. Les premiers mois je me trouvais à donner quelques piastres seulement sur mon capital et on prenait la balance pour payer l'intérêt. A tous les trois mois, comme je remettais de l'argent sur le capital, les intérêts diminuaient. A la fin, je remettais plus sur le capital avec mon \$40 que je ne remboursais sur les intérêts. Après six ans et demi, ma maison était payée, j'étais propriétaire chez moi, j'avais payé cela comme un loyer.

Nous faisons profiter non seulement les actionnaires mais aussi les emprunteurs. A la fin de l'année, une fois notre bilan établi, nous voyons combien nous avons fait de profits, nous plaçons 20 p. cent de ces profits au fonds de réserve, et 10 p. cent au fonds de prévoyance. Si l'année a été bonne, nous disons: "Nous allons faire aussi une remise aux emprunteurs; par exemple, nous allons remettre aux emprunteurs 10 p. cent des intérêts qu'ils ont payés." A la fin nous ne nous trouvons pas à avoir prêté à 6 p. cent mais nous avons prêté à 5 p. cent, et quelquefois même à moins que 5 p. cent.

A Lévis, nous payons aux porteurs d'obligations, de parts, 7 p. cent, et nous payons aux déposants 4 p. cent. Nous avons un fonds de réserve de \$156,000, pour une seule banque. Ce fonds de réserve de \$156,000 comprend le fonds de réserve et le fonds de prévoyance.

M. HACKETT: Depuis quand cette Caisse est-elle établie?

M. VAILLANCOURT: Depuis trente ans, à Lévis.

Nous faisons affaire avec les membres seulement, avec les actionnaires. Nous ne pouvons pas prêter à ceux qui ne sont pas actionnaires.

M. LAURIN: Tous vos actionnaires sont-ils des cultivateurs?

M. VAILLANCOURT: 90 p. cent sont des cultivateurs—je parle de tout le district de Québec.

M. HACKETT: Il faut que l'emprunteur réside dans le district?

M. VAILLANCOURT: Non seulement il faut qu'il réside dans le district, mais chaque caisse fait son enquête.

M. LAURIN: Est-ce que vous perdez de l'argent?

M. VAILLANCOURT: Pas nous, jamais. Depuis trente ans nous n'avons pas perdu d'argent.

M. LAURIN: Parmi toutes les Caisses Populaires, y en a-t-il qui ont fait faillite?

M. VAILLANCOURT: Oui.

M. LAURIN: Combien y en a-t-il qui ont fait faillite sur ces 178 caisses?

M. VAILLANCOURT: Depuis trente ans, 7 ou 8. Sur ce nombre, il y en a 4 dont les affaires ne sont pas encore réglées. Probablement que les actionnaires ne perdront pas un sou, excepté dans un cas où il y a eu un vol.

M. LAURIN: Vous dites qu'il y en a 4 qui ont fait faillite?

M. VAILLANCOURT: Oui.

M. HACKETT: Pourquoi ont-elles fait faillite?

M. VAILLANCOURT: Dans deux de ces cas, c'est parce que le gérant a volé.

M. HACKETT: C'est pour cela que vous demandez l'inspection obligatoire par le gouvernement de Québec?

M. VAILLANCOURT: Quand bien même il y aurait inspection du gouvernement, on ne peut pas prévenir les vols.

M. LAURIN: Vous dites qu'il y a 7 ou 8 caisses qui ont fait faillite depuis trente ans?

M. VAILLANCOURT: Oui.

M. LAURIN: Et, sur ces 8 caisses, il y en a 4 qui ne perdront pas un sou?

M. VAILLANCOURT: Ça n'est pas réglé encore.

M. LAURIN: Ça n'est pas encore réglé mais vous prétendez que les actionnaires ne perdront rien?

M. VAILLANCOURT: C'est bien cela. Elles ont fermé leurs portes parce que les gens voulaient retirer leur argent, et comme l'argent était placé sur hypothèque il n'y avait pas assez de fonds liquides. Les Caisses ont fermé leur portes, on a dit: "On va collecter l'argent et on vous remettra votre argent après cela."

M. VAILLANCOURT: Ordinairement, nous avons 30 p. cent d'argent liquide ou placé sur des emprunts du gouvernement, des débentures du gouvernement.

M. LAURIN: Sur la réserve?

M. VAILLANCOURT: Non, argent liquide pour pouvoir le donner immédiatement, et la balance nous la prêtons aux fermiers. Dans certains cas il arrive qu'à un moment donné il se fait une course et c'est dans ces cas que la caisse est obligée de dire: Notre 30 p. cent est épuisé; si on met tous les gens en faillite on ne sera pas plus avancé; on ferme la caisse, on va retirer l'argent, on va vous payer.

M. LAURIN: A Lévis, est-ce qu'il n'y a qu'un gérant qui est payé?

M. VAILLANCOURT: Un gérant. •

M. ROBITAILLE: Quand un actionnaire peut-il retirer sa mise?

M. VAILLANCOURT: N'importe quand, à demande.

M. ROBITAILLE: Sans avis?

M. VAILLANCOURT: A Lévis—Chaque caisse fait son règlement. Un actionnaire ne peut pas prendre plus de \$3,000 de parts. S'il arrive que, dans une même famille, cinq ou six membres aient chacun \$3,000, cela pourrait faire une course; alors, celui qui veut retirer plus de \$1,000 est obligé de donner un avis d'un mois; c'est-à-dire qu'on peut exiger un mois d'avis. Vous pouvez consulter l'article 45.

The CHAIRMAN: I am sur that I speak for all the members of the Committee when I say how very illuminating has been the information given us this morning. On behalf of the Committee may I thank both Mr. Poirier and Mr. Vaillancourt for coming here this morning. And I am sure our thanks are due also to Mr. Vallieres for his assistance in interpreting. The sub-committee about which I spoke to you earlier will meet and consider the advisability of what other witnesses, if any, should be called in connection with this reference.

On motion of Mr. Lawson, the meeting adjourned until Tuesday, June 30 at 11 o'clock a.m.

APRIL 1930-31

COMMISSION DE CRÉDIT—PRÊTS FAITS DURANT L'ANNÉE 1930-31

Prêts sur billets avec cautions		Prêts sur billets	Capital social	Prêts sur hypothèques	
1 de \$20 00.....	20 00	1 de 3 00.....	\$ 3 00	1 de 350 00.....	350 00
2 de 25 00.....	50 00	2 de 5 00.....	10 00	1 de 400 00.....	400 00
2 de 30 00.....	63 00	2 de 10 00.....	20 00	1 de 600 00.....	600 00
1 de 40 00.....	40 00	2 de 15 00.....	30 00	1 de 800 00.....	800 00
2 de 50 00.....	100 00	1 de 25 00.....	25 00	1 de 1,300 00.....	1,300 00
1 de 75 00.....	75 00	1 de 30 00.....	30 00	3 de 1,500 00.....	4,500 00
13 de 100 00.....	1,300 00	1 de 40 00.....	40 00	2 de 2,000 00.....	4,000 00
1 de 110 00.....	1,100 00	1 de 45 00.....	45 00	1 de 2,500 00.....	2,500 00
5 de 125 00.....	635 00	3 de 50 00.....	150 00	2 de 3,000 00.....	6,000 00
3 de 150 00.....	450 00	1 de 60 00.....	60 00	1 de 4,000 00.....	4,000 00
5 de 200 00.....	1,000 00	1 de 75 00.....	75 00	1 de 5,000 00.....	5,000 00
6 de 300 00.....	1,800 00	1 de 80 00.....	80 00	1 de 5,700 00.....	5,700 00
2 de 350 00.....	700 00	4 de 100 00.....	400 00		
1 de 360 00.....	360 00	1 de 155 00.....	155 00		
4 de 400 00.....	1,600 00	1 de 165 00.....	165 00		
1 de 475 00.....	475 00	1 de 175 00.....	175 00		
7 de 500 00.....	3,500 00	4 de 200 00.....	800 00		
		2 de 300 00.....	600 00		
		1 de 345 00.....	345 00		
		1 de 400 00.....	400 00		
		1 de 1,000 00.....	1,000 00		
		1 de 1,500 00.....	1,500 00		
57	12,268 00	35	17,608 00	16	\$35,150 00

16 prêts hypothécaires.....	\$35,150 00
57 prêts sur billets avec caution.....	12,268 00
35 prêts sur billets cap. social.....	7,608 00
8 prêts sur taxes.....	1,292 00

116

\$56,318 00

APPENDIX "B"

I.—TABLEAU SOMMAIRE DES OPÉRATIONS DE PRÊT DES CAISSES POPULAIRES DESJARDINS.

POUR LA PÉRIODE DE 15 ANNÉES, DE 1915 À 1929 INCLUSIVEMENT

Année	Montant prêté	Nombre de prêts	Montant remboursé	Moyenne de chaque prêt	Montant restant dû	Nombre d'emprunteurs	Moyenne due par emprunteur
1915.....	\$1,483,160	8,983	\$ 1,270,848	\$ 160	\$ 1,684,651	6,728	\$ 250
1916.....	1,641,258	11,201	1,423,445	140	2,039,178	6,696	300
1917.....	2,306,171	12,741	1,796,574	180	2,534,134	7,458	340
1918.....	2,623,095	14,293	2,195,190	180	2,901,517	8,056	360
1919.....	3,667,004	14,386	2,590,282	250	3,976,940	9,148	430
1920.....	4,341,543	15,390	3,071,338	280	5,181,391	9,213	560
1921.....	4,248,725	14,983	3,476,322	280	5,799,282	9,219	620
1922.....	2,891,092	13,367	3,244,932	210	5,292,322	8,999	580
1923.....	3,429,444	12,273	2,797,933	270	5,596,589	8,373	660
1924.....	3,763,852	11,017	3,032,071	340	6,327,516	8,414	750
1925.....	3,919,960	13,794	3,394,208	280	7,087,211	9,384	750
1926.....	4,496,955	15,843	3,609,813	280	7,668,292	10,418	730
1927.....	4,778,761	16,832	3,624,570	280	9,371,925	11,754	790
1928.....	5,047,769	17,403	4,201,771	290	9,592,607	11,885	800
1929.....	4,249,650	17,994	3,853,001	230	10,314,622	13,553	760
	\$52,888,439		\$43,582,298				

Certifié conforme, le 25 juin 1931.

WILFRID GUÉRIN.

APPENDIX "C"

II.—TABLEAU SOMMAIRE DES VARIATIONS DE CAPITAL SOCIAL DES
CAISSES POPULAIRES DESJARDINS

POUR LA PÉRIODE DE 15 ANNÉES, DE 1915 À 1929 INCLUSIVEMENT

Année	Montant de parts souscrites et payées	Montant de parts rembour- sées	Montant restant au capital social	Nombre de de sociétaires	Moyenne de parts par sociétaire	Nombre de caisses	Moyenne par caisses
1915.....	\$ 132,222	\$ 63,087	\$ 715,335	23,614	\$ 30	91	\$ 7,860
1916.....	118,195	61,733	770,943	25,028	30	94	8,200
1917.....	146,507	72,220	837,592	25,669	32	93	9,000
1918.....	132,006	66,405	907,857	27,593	33	98	9,260
1919.....	188,235	74,853	1,034,301	29,795	34	100	10,340
1920.....	230,816	75,998	1,199,170	31,029	38	113	10,610
1921.....	241,537	96,326	1,328,991	33,166	40	100	13,290
1922.....	189,182	115,982	1,355,309	32,173	42	108	12,550
1923.....	190,785	123,892	1,388,591	31,752	43	111	12,510
1924.....	165,494	98,469	1,441,373	31,250	46	119	12,110
1925.....	167,839	91,024	1,534,051	33,279	46	122	12,570
1926.....	163,201	93,964	1,507,014	36,298	41	154	9,800
1927.....	166,287	88,356	1,723,961	41,365	41	159	10,840
1928.....	213,866	117,955	1,767,090	41,374	42	168	10,380
1929.....	161,990	109,818	1,850,541	44,835	41	178	10,520
	\$ 2,608,162	\$ 1,350,082					

Certifié conforme, le 25 juin 1931.

WILFRID GUÉRIN.

APPENDIX "D"

III.—TABLEAU SOMMAIRE DES OPÉRATIONS D'ÉPARGNE DES CAISSES
POPULAIRES DESJARDINS

POUR LA PÉRIODE DE 15 ANNÉES, DE 1915 À 1929 INCLUSIVEMENT

Année	Montant déposé	Montant retiré	Montant restant en dépôt	Nombre de déposants	Moyenne en dépôt par déposant	Nombre de caisses	Moyenne par caisses
1915.....	\$ 2,706,304	\$ 2,496,406	\$ 1,141,528	13,696	\$ 83	91	\$ 12,540
1916.....	3,543,462	3,142,982	1,552,390	15,613	99	94	16,510
1917.....	4,751,518	4,147,159	2,116,054	18,977	111	93	22,750
1918.....	5,763,881	5,382,651	2,513,405	20,672	121	98	25,640
1919.....	8,453,536	7,297,026	3,682,050	23,451	157	100	36,820
1920.....	10,529,628	9,667,920	4,558,053	26,238	173	113	40,330
1921.....	10,304,589	10,129,424	4,602,203	30,570	150	100	46,020
1922.....	6,668,561	7,334,935	3,912,375	30,583	128	108	36,220
1923.....	7,462,071	6,862,423	5,546,339	29,771	150	111	40,950
1924.....	8,922,645	8,230,520	5,234,973	30,874	170	119	43,990
1925.....	9,421,380	8,922,721	5,799,951	33,527	173	122	47,540
1926.....	10,727,346	9,997,154	6,313,532	37,343	169	154	40,990
1927.....	13,408,563	12,311,982	7,859,954	40,753	192	159	49,430
1928.....	14,244,035	13,457,731	8,092,968	40,568	200	168	48,170
1929.....	15,147,018	15,370,605	9,090,614	44,685	202	178	51,070
	\$ 132,054,537	\$ 124,751,639					

Certifié conforme, le 25 juin 1921.

WILFRID GUÉRIN

1937
SESSION 1937

HOUSE OF COMMONS

11 2 18
- 13 11
STANDING COMMITTEE

ON

BANKING AND COMMERCE

MINUTES OF PROCEEDINGS AND EVIDENCE

Respecting

Bill No. 58 (Letter C of the Senate), An Act Respecting
Central Finance Corporation and to change its name to
Household Finance Corporation

No. 1

TUESDAY, MARCH 23, 1937
WEDNESDAY, MARCH 24, 1937
THURSDAY, MARCH 25, 1937



WITNESS:

Mr. G. D. Finlayson, Superintendent of Insurance, Department of
Insurance, Ottawa.

OTTAWA
J. O. PATENAUDE, I.S.O.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1937

ORDERS OF REFERENCE

HOUSE OF COMMONS

Thursday, January 21, 1937.

(Applicable to Bill No. 58 [Letter C of the Senate], An Act respecting Central Finance Corporation and to change its name to "Household Finance Corporation.")

Resolved.—That the following Members do compose the Standing Committee on Banking and Commerce:—

Messieurs

Baker,	Howard,	Martin,
Bennett,	Hushion,	Maybank,
Cahan,	Jacobs,	Moore,
Clark (York-Sunbury),	Jaques,	Perley (Qu'Appelle),
Cleaver,	Kinley,	Plaxton,
Coldwell,	Kirk,	Quelch,
Deachman,	Lacroix (Beauce),	Raymond,
Donnelly,	Landeryou,	Ross (Middlesex East),
Dubuc,	Lawson,	Rutherford,
Dunning,	Leduc,	Stevens,
Edwards,	MacDonald	Thorson,
Euler,	(Brantford City),	Tucker,
Fiset (Sir Eugene),	Mackenzie	Vien,
Fontaine,	(Vancouver Centre),	Ward,
Fournier (Hull),	McGeer,	White,
Fraser,	McLarty,	Woodsworth—50.
Harris,	McPhee,	
Hill,	Mallette,	
	(Quorum 15)	

Attest.

ARTHUR BEAUCHESNE,

Clerk of the House.

Ordered.—That the Standing Committee on Banking and Commerce be empowered to examine and inquire into all such matters and things as may be referred to them by the House; and to report from time to time their observations and opinions thereon, with power to send for persons, papers and records.

Attest.

ARTHUR BEAUCHESNE,

Clerk of the House.

TUESDAY, March 23, 1937

Ordered.—That the said Committee be granted leave to sit while the House is sitting.

Attest.

ARTHUR BEAUCHESNE,

Clerk of the House.

THURSDAY, March 25, 1937.

Ordered.—That the said Committee be granted authority to have printed from day to day or as required, 500 copies in English and 200 copies in French of its minutes of proceedings and evidence, for the use of the Committee and Members of the House; and that Standing Order 64 be suspended in relation thereto.

Attest.

ARTHUR BEAUCHESNE,

Clerk of the House.

REPORTS OF THE COMMITTEE .

(Applicable to the said Bill 58)

TUESDAY, March 23, 1937.

The Standing Committee on Banking and Commerce begs leave to present the following as a

THIRD REPORT

Your Committee recommends that it be granted leave to sit while the House is sitting.

All of which is respectfully submitted,

W. H. MOORE,
Chairman.

THURSDAY, March 25, 1937.

The Standing Committee on Banking and Commerce begs leave to present the following as a

FOURTH REPORT

Your Committee recommends that it be granted authority to have printed from day to day or as required, 500 copies in English and 200 copies in French of its minutes of proceedings and evidence, for the use of the Committee and Members of the House; and that Standing Order 64 be suspended in relation thereto.

All of which is respectfully submitted,

W. H. MOORE,
Chairman.

MINUTES OF PROCEEDINGS

TUESDAY, March 23, 1937.

The Standing Committee on Banking and Commerce, called to meet at 10.30 o'clock a.m. this day, came to order at 10.45 a.m., the Chairman, Mr. W. H. Moore, presided.

Members of the Committee in attendance: Messieurs: Baker, Clark (York-Sunbury), Cleaver, Deachman, Edwards, Hill, Jacobs, Kinley, Lacroix (Beauce), Leduc, McLarty, McPhee, Mallette, Martin, Maybank, Moore, Perley (Qu'Appelle) Quelch, Tucker, Vien and Ward.—21.

On the Orders of the Day for consideration:

Bill No. 59 (Letter C of the Senate), An Act respecting Central Finance Corporation and to change its name to "Household Finance Corporation."

Sponsor for the Bill: Mr. Duffus, M.P., not a member of the Committee.

Parliamentary Agent: Col. A. T. Thompson, K.C., Ottawa, and in support of the Bill, Mr. Harold Walker, K.C., counsel, of Messrs. Blake, Lash, Anglin & Cassels, of Toronto, Mr. Arthur P. Reid, President of the Company, and a number of others more or less concerned or interested, including Mr. R. W. Harris of the Company.

Mr. G. D. Finlayson, Superintendent of Insurance, was present.

With the consent of the Committee Mr. Duffus spoke to the Bill, following in which Mr. Finlayson was requested to explain the details of the measure at length.

To put the principle of the Bill before the Committee for discussion, Mr. Duffus mover the adoption of the Preamble.

General discussion developed in which strong opposition to the measure was shown. Mr. Tucker, Mr. Lacroix, Mr. McPhee, Mr. Ward and Mr. Quelch took a very strong stand against the Bill on the ground that the rate of interest was much too high and they did not approve of the principle of allowing a small loan companies of the character of the Bill before the Committee to function at the rate of interest at present charged or as proposed in the new Bill.

Mr. Vien spoke strongly in favour of the Bill, and was supported by Mr. Martin, Mr. Baker, Mr. Edwards, Mr. Cleaver and others, as a step in the right direction and a great improvement over the type of loan companies which have been existent during the past years and many which are operating to-day.

Mr. Walker, counsel for the Company spoke in explanation of the Company's operations, and the improvement from the borrower's standpoint under the proposed provisions of the new Bill.

Discussion continued without intermission until nearly one o'clock. The question was frequently called for, but speakers continued to hold the floor.

At one o'clock Mr. McPhee moved the adjournment of the Committee. Objections were raised, but no debate allowed. The motion being put, it was lost on a standing vote.

Mr. Duffus' motion that the Preamble be adopted was again called for. *Motion carried* on a standing vote of about two to one, and the Preamble of Bill 58 (Letter C) was declared adopted.

Supporters of the Bill made a strong effort to hold the Committee for the time necessary to carry the clauses of the Bill, the provisions being, after proposed revision, identical with Bill 57, Industrial Loan, reported by the Committee without amendment a few days ago.

It being impossible to hold a quorum of the Committee to complete the Bill, and owing to the large number of committees of the House meeting during the few remaining days before the Easter recess, on motion of Mr. Vien, it was resolved:

That this Committee recommends to the House that it be granted leave to sit while the House is sitting.

After some further discussion as to the next meeting it was finally decided to meet at the call of the Chair.

The Committee adjourned.

WEDNESDAY, March 24, 1937.

The Standing Committee on Banking and Commerce, called to meet at 4 o'clock p.m. this day, came to order at 4.15 o'clock; Mr. W. H. Moore, the Chairman, presided.

Members of the Committee present:—Messieurs: Baker, Cleaver, Donnelly, Edwards, Fraser, Hushion, Jacobs, Kinley, Lawson, Leduc, McGeer, Mallette, Martin, Moore, Plaxton, Quelch, Raymond, Stevens, Thorson, Tucker, Vien, Ward, Woodsworth—23.

In attendance: Mr. G. D. Finlayson, Supt. of Insurance, Ottawa, Col. A. T. Thompson, K.C., Parliamentary Agent, acting for the Bill under consideration, Mr. Harold Walker, K.C., Counsel for the Company, Mr. Arthur P. Reid, President, and Mr. R. W. Harris of the Company.

Resumed consideration of Bill No. 58 (Letter C), An Act respecting Central Finance Corporation and to change its name to "Household Finance Corporation," Mr. Duffus, M.P., sponsoring the measure in the House of Commons, but not a member of the Committee. Section 1, under consideration.

Col. Vien, M.P., spoke to the Bill at considerable length, explaining it in detail. Mr. Finlayson was asked to give further details of the Bill. Mr. Ward favoured the passing of the present Bill, as proposed to be amended, pending legislation next year, although strongly opposed to the principle of exacting the present rate of interest.

Continual discussion interspersed with some rather lengthy statements followed until six o'clock, some members very strongly in favour of the Bill and others very strongly against its passing.

Those favouring the passing of the measure included in addition to those named, Mr. Martin, Mr. Cleaver, Mr. Lawson, Mr. Plaxton, Mr. Hushion, Mr. Kinley and others.

Those strongly opposing the measure included Mr. Woodsworth, who spoke at some length; Mr. Stevens, who also spoke strongly and at some length, and Mr. Tucker, who entered strong protest against the Bill passing, as he had done at the previous meeting.

Several attempts were made to pass section 1 of the Bill, but members continued to occupy the floor.

It being evident that no further progress could be made, and it then being after six o'clock, Mr. Lawson moved the adjournment of the Committee.

Motion carried, with the addition to the motion by consent of the Committee, that it meet again to-morrow—Thursday, at 10.30 o'clock, a.m.

COMMITTEE ROOM 268,
HOUSE OF COMMONS,
THURSDAY, March 25, 1937.

The Standing Committee on Banking and Commerce called to meet at 10.30 a.m. this day, came to order at 10.45 a.m., with Mr. W. H. Moore, the Chairman, presiding.

Members of the Committee in attendance:—Messieurs: Cleaver, Coldwell, Deachman, Donnelly, Edwards, Fontaine, Hushion, Jacobs, Kinley, Landeryou, Lawson, Leduc, McGeer, Mallette, Martin, Moore, Plaxton, Quelch, Stevens, Tucker, Vien, Ward, Woodsworth.

Others in attendance: Mr. G. D. Finlayson, Superintendent of Insurance; Col. A. T. Thompson, K.C., Ottawa, Parliamentary Agent for the Bill under consideration; Mr. Harold Walker, K.C., Counsel for the Company, Mr. Arthur P. Reid, President, and Mr. R. W. Harris of the Company.

Committee resumed consideration of Bill No. 58 (Letter C), An Act respecting Central Finance Corporation and to change its name to "Household Finance Corporation." Mr. Duffus, M.P., sponsor of the Bill, but not a member of the Committee.

Section 1 before the Committee.

Before resuming consideration of Section 1, Mr. Mallette moved that the words "of Canada" be added to the proposed title of the Bill. Carried.

Mr. Vien moved that Clause 1 carry.

Mr. McGeer arose to speak and continued at considerable length to give his views on the legislation before the Committee.

There were many interruptions including some suggested motions, verbal and written, but as Mr. McGeer had the floor, all were more or less out of order. Mr. McGeer submitted a motion and several other members suggested motions and suggested amendments to Mr. McGeer's motion. After much discussion the following motion by Mr. McGeer, seconded by Mr. Tucker, was adopted:—

That Mr. Lionel Forsyth, K.C., of Montreal be invited to attend and give evidence before this Committee on the matter now under consideration, with the

understanding that Mr. Forsyth appears at his own expense on Thursday, April 1.

Many members of the Committee took part in the discussion including Mr. Woodsworth, Mr. Stevens, Mr. Martin, Mr. Kinley, Mr. Lawson, Mr. Cleaver, Mr. Edwards, Mr. Donnelly, Mr. Vien, Mr. Landeryou and others.

Moved by Mr. McGeer, seconded by Mr. Tucker:—

That further consideration of this Bill be suspended until all members of this Committee be supplied with copies of the Company's balance sheets and profit and loss accounts over a period of five years and that following the furnishing of such information that the officers of the Company be called to give evidence before this Committee on all matters now under consideration by it.

Mr. Cleaver moved in amendment thereto, seconded by Mr. Martin:—

That all of the words of the motion after the word "that" be deleted and the following substituted therefor:

The officers of the Central Finance Corporation be *now* called to give evidence.

On a standing vote of 11 to 8 the amendment passed in the affirmative.

Mr. McGeer moved, seconded by Mr. Tucker:

That this Committee recommend to the House that it be granted authority to print from day to day, or as required, 500 copies in English and 200 copies in French of its minutes of proceedings and evidence; and that Standing Order 64 be suspended in relation thereto.—Carried.

It being one o'clock, Mr. Woodsworth moved that this Committee adjourn.

Motion lost on a standing vote.

On motion it was resolved: That Mr. Finlayson be now heard, starting at Section 1 of the Bill and give an explanation of its provisions, with regard to the borrowers as well as the Company, Mr. Finlayson's statement to be printed for the use of the Committee.

With some few interruptions by questions, Mr. Finlayson continued his statement until 1.20 p.m., when after much discussion as to the next date of meeting, it was finally decided to meet on Tuesday, March 30th, at 10.30 a.m.

On motion of Mr. Woodsworth, the Committee adjourned.

E. L. MORRIS,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 268.
March 25th, 1937.

The Standing Committee on Banking and Commerce met at 10:30 a.m. Mr. W. H. Moore, presided.

Mr. G. D. FINLAYSON, Superintendent of Insurance, called:

The CHAIRMAN: We are on section 1 of the bill. You may proceed, Mr. Finlayson.

The WITNESS: Mr. Chairman and gentlemen, I might say that section 1 is quite unobjectionable from our standpoint. This company was incorporated in 1928. It operated as an independent Canadian company until the end of 1932, with a Canadian board of directors and Canadian capital. About the end of 1932 the shareholders of the company parted with control of the stock and a majority of it was acquired by the Household Finance Corporation.

By Mr. McGeer:

Q. The Household Finance Corporation, of what?—A. I think that is the complete name of its head office in Chicago.

Q. Incorporated in what state?

Mr. MARTIN: He might not know that; it would be the State of Delaware, I think.

By Mr. McGeer:

Q. Have you a copy of that company's charter and its articles of incorporation?—A. The Chicago company's?

Q. Yes?—A. No.

Mr. VIEN: It is a foreign company. It is not before us.

The WITNESS: It is not doing business in Canada in its own name, and I do not know of any reason why we should have it. As a matter of fact, we have never had it. Since 1933 this company has continued to operate with the Chicago company as the controlling shareholder. The original invested capital was \$500,000. The amount paid at the time of taking over by the Chicago company was I think in the neighbourhood of \$200,000 or \$250,000.

By Mr. McGeer:

Q. The original incorporation was for how much?—A. For \$500,000, authorized capital.

Hon. Mr. STEVENS: And the paid up was only \$200,000; in 1932.

The WITNESS: Yes. On the taking over of the company by the Chicago company the capital was increased to the present—\$475,000.

By Mr. McGeer:

Q. That is paid up capital?—A. It may have been increased since the last statement.

Q. Do you know what the Chicago company paid for those shares?—A. I am afraid I have not got that in the official record. That was a private transaction between the two companies.

Q. Yes?—A. I am told they bought the shares at par with a premium.

Q. What premium?—A. I am told \$75,000—I think you better not take that down, because that is unofficial.

Q. Well, the officers of the company will give us that?—A. Yes, the officers of the company will give us that. The company now wants to change its name to the Household Finance Corporation. Personally I do not see any objection to that, I don't think.

Mr. JACOBS: They want to become a household burden.

The WITNESS: I do not think there is any conflict with the name of any other operating company.

By Hon. Mr. Stevens:

Q. Do you see any objection in using the name Household Finance in connection with a company of this kind?—A. I do not see any, Mr. Stevens; it is a trade name, it is a fancy name.

Q. It strikes me that it implies that it is more or less a great friend of the householder?—A. It might be regarded as properly describing the business of the company because this company loans only on chattel mortgages, chiefly I believe on household furniture; so it might be regarded as being a descriptive name. I see no objection from that standpoint.

By Mr. McGeer:

Q. Just before you go on from that; have you ever given any consideration to the influence that advertising of this particular type of company may have on people who can be induced to borrow who probably should not be induced to borrow?—A. Well, let me say that is a question I really can't answer. I find it awfully hard to answer that question. What is the effect of any kind of advertising? What is the effect of advertising automobiles for those who—I have no doubt there are many people who buy automobiles through seductive advertising who probably can't afford them. They may be induced to buy automobiles on the instalment plan and incur obligations which may eventually cripple them financially.

Q. You know as a matter of fact from your experience in your department as decided on the basis of the Money Lenders' Act and a proper rate of interest?—A. Yes.

Q. And that this is an exception of that general rule?—A. Yes; and I may say on that point—it is a little apart from section 1, but I will deal with it now—this matter as far as I can recall, and my recollection is very good, was fully considered by both houses of parliament when these original acts were passed; we knew we were over-riding the Money Lenders' Act. I laid before both committees of this parliament a report of what we were doing. I remember laying the effective rate of interest which is involved in this proposal before both houses of parliament. We had evidence then, and as we have had evidence since and have evidence now, that the Money Lenders' Act was not effective, but that there was no organized lender lending on this type of security at 12 per cent per annum; on the other hand that people were being driven into the hands of loan sharks and paying all these exorbitant rates that we hear of. Now, that was fully laid before the committees of parliament and the department in 1928. We had had before us one or two years before that an application for the incorporation of a company on the Morris plan. It came under another name but it developed that it was to adhere to the Morris plan banks. That company asked to be allowed to take deposits from the public for the purpose of securing loaning funds. It proposed to loan to the public at rates considerably less than this company.

[Mr. G. D. Finlayson.]

Mr. LANDERYOU: I may say that the Canadian Bank of Commerce is carrying on a somewhat similar business at the present time.

By Mr. McGeer:

Q. You have got away from the question of the name of this company. That is what I want your answer on, but I don't mind waiting until you are ready to give me the answer I want you to?—A. It came before the Banking and Commerce committee of the Senate and they rejected it, that was in 1925 or 1926, I can't say which, on the ground that it asked to take deposits from the public. Now, this company came along in 1928 and asked to be allowed to provide its own capital, it did not ask to take deposits from the public, but it did ask us for the rights set out in the original act.

Q. We are back to the question we started out with, namely, the use of its trade name. The point we are discussing is whether or not you see anything objectionable, or possibly deceptive, in that type of advertising that would increase this type of borrowing from the point of view that you have mentioned, that it looked like a good name to describe the company's business. This name can be used to induce that type of borrowing can it not?—A. Then, I can only say that I see no objection whatever to the name.

Q. Then I will put this point to you; I take it from that that you see no objection to this type of borrowing as a standard proposal?—A. I believe I can answer that in this way; I believe that people of this class are going to borrow anyway; the evidence before me, judging from correspondence and otherwise, is that these people are going to borrow anyway. It is a question as to where they shall borrow; shall they borrow from persons or companies who are under some kind of regulation where we can know what they are doing; or shall they borrow from unregulated lenders at very very exorbitant prices?

By Mr. Landeryou:

Q. Are there not other companies operating in that way now? I notice that the Canadian Bank of Commerce are lending money on that basis?—A. I can deal with that.

By Mr. McGeer:

Q. The point I want to clear up is, if it is right for this committee and for parliament to authorize the incorporation of businesses of this type, and to recognize a good advertising name, then have we not got pretty close to the point of where we are in a position to wipe out the Money Lenders' Act in Canada. Wouldn't it be much better in these circumstances to wipe out the Money Lenders' Act and to authorize the chartered banks of Canada to charge these rates of interest?—A. Well, the Canadian Bank of Commerce has secured no special authority. They make special loans, and I understand it is open to any other bank.

By Hon. Mr. Stevens:

Q. They are not permitted to charge any excessive rate of interest?—A. I fully explained that method of loaning in the first meeting of the committee. Some of the members were not here when I explained the system which the bank is following. We do not supervise banks. You will have to call the superintendent of banks. This is what I have, unofficially, and what I think is done by some of the other lenders. You must remember that the banks have the power to take deposits; some of the other lenders incorporated by the province have power to take deposits and to sell investment certificates. You see, the bank is limited to a rate of interest of 7 per cent. It is quite possible

for a bank, for any bank, to make a loan of say \$120 to deduct from that loan in advance say 6 per cent interest; and to loan it as repayable at the end of one year. Now, that looks like a perfectly good proposition.

Q. Is that legal?—A. I think it is.

Q. You think it is?—A. I think it is legal. Now, a bank has power to take deposits. It can make a separate contract with that borrower under the terms of which the borrower obligates himself to open a deposit account with that bank and to deposit \$10 a month regularly. There is no question of any additional charge. That contract is not related to the loan contract in any way. But what does it do? Instead of getting its money at the end of one year as contemplated by the loan contract it gets its money back in equal monthly instalments; so that on the average the full amount of the loan is outstanding for six and a half months. He deducted the full year's interest when the loan was made. It is not changed. It gives back nothing. The effect of the second contract is to reduce the term of loan from twelve months to six and a half months.

By Hon. Mr. Stevens:

Q. Which makes the interest rate what?—A. It practically doubles the effective rate of interest, and the rate of interest is 13 per cent and over, instead of 6.

By Mr. Woodsworth:

Q. Is that legal?—A. I am not a lawyer, Mr. Woodsworth, but I am told and this official of the bank is advised by two of the best legal firms in Canada, that that is a perfectly legal transaction.

By Hon. Mr. Stevens:

Q. That is a great improvement on two per cent a month?—A. Right.

By Mr. Landeryou:

Q. The rate of interest is about 12 per cent?—A. You must remember in comparing the bank rates with the company's rates, Mr. Stevens, that the bank gets its money from the public at perhaps 2 per cent. This company cannot take deposits from the public and must provide by issuing stock—it must get the money as share capital and not as deposits.

By Mr. Woodsworth:

Q. There is one point which rather worries me. While this appears in the form of an amendment to the existing act of incorporation, is it not really a new incorporation; that is, the name is changed, the capitalization is put at \$5,000,000 instead of \$500,000 but the incorporators are no longer Canadians but people situate in the state of Delaware. Now, does not that in reality mean a new corporation?—A. I should say not, Mr. Woodsworth, because from the legal standpoint there is no change in the corporate entity. We have bills coming through session after session changing the names of companies. No one would say that incorporates a new corporation that has a change in interest. It is not a change in interest because all the money this company loans comes now from the Chicago company, in part by way of paid capital \$400,000 or \$500,000, and to the amount of over \$2,000,000 as a loan, an advance to the company. The interest is not changed nor do I think that the equity or vested right of the Chicago company is changed. It has got the right now to advance all the money it cares to advance to this company, and it is doing it. Now, if you say it advances that in the form of paid capital it does not change either the equity or the vested interest.

[Mr. G. D. Finlayson.]

By Mr. McGeer:

Q. Have you got any reason for the change in name? What is the reason? Have you been given any reason at all?—A. My own impression is that they will gain by advertising the parent company.

Q. What we are asked to do is to improve the capacity of this company?—A. I think that is unquestionable.

Q. To promote loans of this type?—A. I think they see some advantage in having this name; I think they would not ask for it if they did not, and for myself I do not see any objection to it.

Q. If there is no objection to the type of business they are carrying on.

By Mr. Plaxton:

Q. Speaking of loans that the Bank of Commerce is making, what security do they demand from the borrower?—A. I think they require endorsements. They require the man's own note and endorsement. The Bank, as you know, is not entitled to take a chattel mortgage or any mortgage.

Q. Do they require more than one endorser?—A. My evidence on this must be unofficial, but I am told they require at least two endorsers. Now, my other suggestion on the name, Mr. Chairman and gentlemen, is the addition of the words "of Canada."

By Mr. McGeer:

Q. Just on this point, it is pretty close to the adjournment hour. You remember what was said about the procedure of this company where the advertisement was used to lure people in, then that so-called reduced rate was not the one employed, but a higher rate was employed for the reasons given in the statement. This name would aid in promoting that type of activity in the company's administration, and make it more successful, would it not, in that more people would be lured into the company's office?—A. With that change of name?

Q. Yes.

Mr. EDWARDS: Why do you say "lure"?

Mr. MARTIN: Would come in.

Mr. McGEER: Probably I am wrong in that.

The WITNESS: I will try to avoid the implication in the word.

By Mr. McGeer:

Q. I will change my question. More people would be invited to investigate the company's lending facilities?—A. The company sees some advantage in the change of name in order that it would make its business larger and more profitable.

By Mr. Edwards:

Q. Is it not a straight, legitimate business deal to have the same company name in the United States and Canada, the same advertising and the same literature?—A. It is not only permissible, in my opinion—

The CHAIRMAN: The chair recognizes Mr. Walker.

Mr. WALKER: This evidence is being taken down. Mr. McGeer has made a statement presumably based on the memorandum of Mr. Forsythe. Now, the effect of the statement, as I understood it, was that this company has been advertising a $1\frac{1}{2}$ per cent rate in order to lure business to the company and then to do something else. This company has never advertised or asked for the rate of $1\frac{1}{2}$ per cent, and what Mr. McGeer is basing his statement on is the mere opinion of Mr. Forsythe as to what might be done under circumstances which

do not exist now and cannot exist, because we have asked to have that part of our bill taken out. That should not be in a written record that will become public. I will ask the chairman to have that stricken off the record.

Mr. McGEER: If there is nothing of that kind—what I read to this committee was the advertisement of this company which did not even mention any rate of interest at all, but which invited people to come in on the representation that everything was so simple that there would be no embarrassment at all in operating through this company.

Mr. MARTIN: Mr. Chairman,—

Mr. WALKER: I don't know what fact in the advertising Mr. McGeer thinks is untrue, because he has made certain insinuations on the record to-day. If there is no statement of fact in the advertisement that is untrue I think the witness ought to be asked the question.

Mr. MARTIN: May I suggest that we have been trying to listen to Mr. Finlayson for five days now, and he is in the process of making a statement. Could we not postpone questioning him until his statement is finished, and then we could cross-examine him and grill him if necessary. It would assist those of us who are trying to get the picture of this thing.

The CHAIRMAN: That would be the chair's desire, but the conduct of the committee is in the hands of the committee.

The WITNESS: On section 1—

Mr. DONNELLY: I would like to ask Mr. Finlayson how long it would take him to finish?

The WITNESS: I am in the hands of the committee.

Mr. DONNELLY: How long would it take you to finish up?

Mr. McGEER: I can say I have a good many questions to ask.

The WITNESS: I am through with section 1 now.

Mr. McGEER: We are not going to deal with any section.

By Mr. Mallette:

Q. How long would it take you if you were not interrupted?—A. I think I could go over the bill in a very few minutes. Passing from section 1 to section 2, I believe I have already dealt with the capitalization. I see no objection practically or legally to the increase in capital stock.

Mr. CLEAVER: Is it your wish, Mr. Chairman, that we reserve all questions until the conclusion, or as each section is concluded?

The CHAIRMAN: That is my wish, but my wish does not seem to carry.

Mr. EDWARDS: I would suggest that members of the committee make a note of anything they have to ask Mr. Finlayson and ask him when he is through.

The WITNESS: If your question is strictly on the section I have no objection. We now pass to section 3. I do not see very much use in my dealing with sections 3, 4, 5 and 6 of the bill. Section 4 is a very long section, and the promoters themselves propose to offer an amendment. Would it not be better for me to deal with the amendment proposed to be submitted by the company?

Hon. MEMBERS: Hear, hear.

The WITNESS: If that is so, I think I should have a copy. The promoters of the bill propose to strike out all of sections 3, 4, 5 and 6 and substitute the following therefor:—

3. Paragraph (B) of subsection 1 of section 5 of the said Act as enacted by section 2 of chapter 94 of the Statutes of 1929 is amended by adding thereto as sub-paragraph (IV) the following:—

[Mr. G. D. Finlayson.]

I think there is no need to read what follows because it is taken verbatim from the bill that the committee has already passed for the Industrial Loan and Finance Corporation. It provides in effect that the company shall loan at a rate of 2 per cent per month on outstanding monthly balances; that it will advance to the borrower the full amount for which he gave his note; nothing shall be taken from the loan in advance; it will charge to the borrower monthly 2 per cent of the monthly balance outstanding. Now, that rate will include everything. It is declared to include all interest from the loan; all charges thereon or therefor of every nature and kind, other than interest, all disbursements (except for registration fees as hereunder provided) made in connection with the loan, and all other fees, charges or services whatsoever arising out of or incidental to the loan. It covers not only charges under the loan contract itself, if there was any other contract incidental to the loan contract no charge can be made under that contract. The bill prevents, for instance, the company requiring the insured to insure his life through the agency of the company. That would be incidental to the loan and the company is prevented by this language from making such a charge. Now, this company is authorized to charge 2 per cent per month in effect, up to a point of \$181.20. That is the effect of the amendment to the Loan Companies Act in 1934. From \$181.20 to \$350 the company's rate gradually declines from $2\frac{1}{2}$ per cent to 2 per cent.

By Mr. McGeer:

Q. I asked you the other day and did not get an answer whether there were any court decisions on any of these proceedings of the company?—A. No; I think this company has never been in court so far as anything I can recall. One of the other small loan companies has been in court over the interpretation of their act.

Q. A similar section to this?—A. Yes.

Q. What was the name of the case?—A. Kelly versus the Industrial Loan—

Mr. VIEN: I should like to refer to that. It was not a section similar to this one that is now being studied.

The WITNESS: No, not similar to this.

Mr. VIEN: This purports to clarify the other.

By Mr. McGeer:

Q. That is what I wanted to get at?—A. This section here has never been in any court.

Q. I understand, Mr. Finlayson, the language of this section arises out of the decision of the court?—A. I would not say that.

Mr. CLEAVER: Where is it reported?

By Mr. McGeer:

Q. Is that case reported?—A. Kelly versus Industrial Loan. You will find it in the first number of D.L.R. 1937,—anyway it is the first one of two numbers of D.L.R.

By Mr. Ward:

Q. Why the arbitrarily set amount? You refer to \$181.20?—A. The effect of that is the operation of two sets of restrictions. There is one set of restrictions, the Companies Special Act. The Special Act is to some extent over-ridden by the amendment passed in 1934 to the Loan Companies Act which says that when the rates provided under the Special Act get up to over $2\frac{1}{2}$ per cent then $2\frac{1}{2}$ per cent becomes automatically the maximum rate to be charged.

By Mr. Woodsworth:

Q. What about over \$350?—A. Over \$350, which I may say, very few loans are made, the rate gradually declines from 2 per cent on \$350, to 1·84 per cent for loans of \$500. Now, a very small proportion of the loans of any company is made in the higher bracket, so that the effect of this proposed amendment is to substitute for practically a 2½ per cent rate up to \$181 and a 2 per cent rate, tapering down to 2 per cent for \$350, a rate of 2 per cent on the entire loan.

By Mr. McGeer:

Q. That is, it is 2½ per cent up to \$181?—A. 2½ per cent up to \$181.

Q. 2 per cent from \$181 to \$350?—A. No, gradually decreasing to 2. I can give you the exact figures.

Mr. McGEER: It declines to 2 per cent on \$350.

The WITNESS: Since it is being taken down I will give you the exact figures. It is 2½ per cent up to \$181.20. Now, on \$200 it is 2·40 per cent; on \$250 it is 2·21; on \$300 it is 2 per cent, to substitute for these rates.

Mr. McGEER: What about \$500?

The WITNESS: 1·84 per cent, to substitute for that 2 per cent. I may say, a very great majority of loans is made under \$200; so that in effect the effect of this amendment is to reduce the rate on the vast majority of loans from 2½ per cent to 2 per cent. Now, there is the whole story so far as I am concerned with this amendment.

By Mr. McGeer:

Q. To increase the \$500 rate from 1·84 per cent to 2?—A. To increase loans from \$500?

Q. Yes. The rate on the higher bracket loans is lower than on the lower bracket?—A. Yes, the rates—

Q. On the higher bracket?—A. On the loans of the maximum amount.

By Mr. Donnelly:

Q. Under the proposed amendment it will be cut to 2; is not that it?—A. 2 for all.

Q. A reduction of 20 per cent?—A. Yes.

By Mr. McGeer:

Q. It is only a reduction of 20 per cent on the lower bracket loans. It is not a reduction of 20 per cent on the average.

Mr. MALLETT: Will it affect the outstanding loans?

By Mr. Donnelly:

Q. If a man borrows \$100 does he get \$100 or is 6 per cent deducted, or anything like that?—A. Under this proposed amendment a man who borrows \$100 gets \$100.

Mr. REID: I want to clarify the question that Mr. McGeer has in mind, if I may. I do not want to interrupt Mr. Finlayson at all but to demonstrate to Mr. McGeer it is really a very effective reduction I can only say that our gross yield last year was on a basis of 2·45 per cent. Now, that is borne out by the fact that the bulk of our loans are in the smaller brackets. We make comparatively few loans in the larger brackets, and secondly we have more at the 2½ per cent rate as demonstrated by what I say, the gross yield was 2·45 per cent. If this amendment carries through our bill the rate will be reduced, the maximum will be reduced to really less than 2 per cent a month because, as you

[Mr. G. D. Finlayson.]

know, on any interest measure you cannot collect a hundred per cent of your interest. The best estimate we can get is that we will collect under very good conditions 95 to 97 per cent of our interest, which in itself will cut that interest rate down from 2 per cent a month to something considerably less, 1.85 or something of that sort, so it is a very substantial reduction.

The WITNESS: Perhaps I can just add a word to give some idea as to the distribution of the loans.

Mr. McGEER: Would you mind just following that through. What were your total loans last year? I think we should get that.

Mr. REID: The total loans made were in excess of \$6,000,000.

The WITNESS: Six and a quarter million.

Mr. WARD: Those are the aggregate loans.

Mr. REID: That is the amount of money we loaned.

Mr. WARD: What was the average amount of money you had out at any given time?

Mr. REID: That was represented by the mean assets. I have not got the exact figures, but it is practically half of that—in the neighbourhood of \$3,000,000.

By Mr. Vien:

Q. Mr. Finlayson, will you put on record the mean assets?—A. It is in this statement. The mean net assets for the year 1936—that is after deducting reserves for unearned interest reserves for bad debts—was \$2,486,152. I wanted to give the distribution of the loans this company made in 1935: 37,071 loans. Of that number 27,068 loans were in amounts less than \$200.

Mr. WOODSWORTH: As it is getting late, I move we adjourn.

The committee adjourned to meet Tuesday, March 30th at 10.30 a.m.

Session 1937

HOUSE OF COMMONS

STANDING COMMITTEE

ON

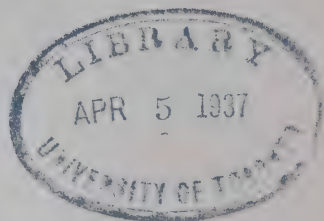
BANKING AND COMMERCE

MINUTES OF PROCEEDINGS AND EVIDENCE

Respecting

Bill No. 58 (Letter C of the Senate), An Act Respecting
Central Finance Corporation and to change its name to
Household Finance Corporation

No. 2



TUESDAY, MARCH 30, 1937

WITNESSES:

Mr. G. D. Finlayson, Superintendent of Insurance, Department of
Insurance, Ottawa.

Mr. Arthur P. Reid, Vice-President and General Manager, Central Finance
Corporation, Toronto.

OTTAWA

J. O. PATENAUDE, I.S.O.

PRINTER TO THE KING'S MOST EXCELLENT MAJESTY

1937

MINUTES OF PROCEEDINGS

TUESDAY, March 30, 1937.

MORNING SITTING

The Standing Committee on Banking and Commerce met at 10.30 a.m. this day and came to order at 10.45 o'clock, with Mr. W. H. Moore, the Chairman, presiding and the following Members of the Committee present.

Messieurs: Clark (*York-Sunbury*), Cleaver, Coldwell, Donnelly, Edwards, Fontaine, Hushion, Jacobs, Kinley, Kirk, Landeryou, Lawson, Leduc, McLarty, McPhee, Mallette, Martin, Moore, Quelch, Ross (*Middlesex East*), Stevens, Tucker, Vien, Ward, Woodsworth—25.

In Attendance: Mr. G. D. Finlayson, Superintendent of Insurance, Ottawa; Col. A. T. Thompson, K.C., Parliamentary Agent in charge of the Bill before the Committee; Mr. Harold Walker, K.C., Counsel for the Corporation; Mr. Arthur P. Reid, Vice-President and General Manager; Mr. R. W. Harris, Director of Public Relations of the Corporation; and others interested in the matter before the Committee.

Committee resumed consideration of Bill No. 58 (Letter C of the Senate), An Act respecting Central Finance Corporation and to change its name to "Household Finance Corporation" at Clause 1 of the Bill.

Mr. Finlayson was requested to continue his statement where it was left at the termination of the previous meeting and answer some further questions.

Mr. Arthur P. Reid called and sworn:

Witness was examined at some length by Mr. Stevens, followed by Mr. Tucker who continued his examination until one o'clock, during which time considerable discussion and questioning was carried on by the Committee generally.

On motion of Mr. Lawson,—a loan pass book of a client of the Corporation, used by Mr. Stevens in his examination of the witness, was filed temporarily with the clerk of the Committee. (Confidential.)

The witness retired.

After discussion the Committee decided to meet again at 4 p.m. this day.

The Committee adjourned.

AFTERNOON SITTING

The Committee reconvened at 4 p.m. and came to order with a quorum at 4.30 p.m., with Mr. Moore, the Chairman, presiding, and the following members of the Committee present.

Messieurs: Clark (*York-Sunbury*), Cleaver, Deachman, Donnelly, Edwards, Jacobs, Landeryou, Lawson, Leduc, McPhee, Mallette, Martin, Moore, Quelch, Ross (*Middlesex East*), Stevens, Tucker, Ward and Vien—19.

In Attendance: Superintendent of Insurance, Parliamentary Agent, Counsel for the Corporation, and officers of the Corporation as attended at the morning sitting.

Clause 1 of the Bill (58(c)) before the Committee.

Mr. Arthur P. Reid recalled:

Examination of the witness was carried on by Mr. Tucker, Mr. Deachman and the other members of the Committee.

Mr. Finlayson was requested to answer some questions; other questions were replied to by Mr. Walker, counsel for the Corporation.

Examination continued until near six o'clock.

Question was called on Clause 1.

Clause 1 adopted on a standing vote of 10 to 6.

Mr. Stevens asked for a recorded vote, which was taken, the result showing 10 Yeas and 6 Nays.

Clause 1 declared adopted.

It being six o'clock, after discussion the Committee decided to meet again to-morrow—Wednesday, March 31st—at 10.30 o'clock a.m.

By general consent the Committee adjourned.

E. L. MORRIS,

Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 368.

March 30, 1937.

The Standing Committee on Banking and Commerce met at 10.30 a.m. Mr. W. H. Moore, the chairman, presided.

The CHAIRMAN: Gentlemen, we have a quorum. This is your bill, Mr. Duffus. Have you anything to suggest as to procedure?

Mr. DUFFUS: Mr. Chairman and gentleman, as the sponsor of this bill, when I presented it the other day I did not make any motion. I merely suggested that the bill was in an amended form, and quite different from the original bill, and almost identical with the other bill that was before the committee prior to this one and which has been sent on to the house. On the last day we met the discussion was very general, and I think took up a lot of the time of this committee rather unnecessarily. In order to curtail the discussion and get on with the bill, which I am sure every hon. gentleman desires to do, I would like to move, subject to your approval, Mr. Chairman, and the approval of the members of the committee, that "bill No. 58 (Letter C of the Senate) is amended by striking out all the sections 3, 4, 5 and 6 thereof and by substituting the following therefor:—

3. Paragraph (B) of sub-section 1 of section 5 of the said Act as enacted by section 2 of chapter 94 of the Statutes of 1929 is amended by adding thereto as sub-paragraph (iv) the following:—

With regard to "the following," I think the members have a copy of it; it is pasted to this sheet. The clauses have been taken from the other bill, and they are obviously identical. I would like to move these amendments, Mr. Chairman, and have the discussion centred on the amendment.

Hon. Mr. STEVENS: Mr. Chairman, in the first place, with all due deference to Mr. Duffus, I think the motion is not in order, because the motion before the chair is section 1 of the bill; and in the discussion of section 1 a resolution was passed instructing the clerk to call before the committee to-day for examination the president and officers of the company. I might remind you, Mr. Chairman, and members of the committee, that when this measure was up in the house, and the other measures, the two of them, before they received their second reading, to the principle of which some of us took very strong objection, the argument which carried, I think, the judgment of the house, was that these bills should go to the committee so that the committee might examine into the whole question of small loans legislation. I recall most particularly the argument put forward by some of the members speaking in the house, that they were very anxious to have that opportunity; that while they were opposed to the general idea of the bill they felt that it was fair to bring them before the committee and have an examination made. So the other day we carried a resolution to that effect, and I presume the witnesses who are to give evidence are here to-day. Speaking now only for myself, I had in the interim done what little I could to go over the statements that have been supplied us, and there are quite a number of questions that I would like to ask of these witnesses or witness, as the case may be; and I again say or suggest that this resolution which applies to subsequent sections of the bill will properly come up when those sections are reached. While I do not for

a moment suggest that Mr. Duffus is seeking to shut off any legitimate questions or investigation, yet it would have that effect unfortunately if this motion were to become now the matter before the committee.

Mr. VIEN: It would have what effect, Mr. Stevens?

Hon. Mr. STEVENS: I say it would have the effect of shutting off the procedure which we indicated at the last meeting.

Mr. VIEN: In what particular?

Hon. Mr. STEVENS: By jumping to section 3.

Mr. VIEN: No.

Hon. Mr. STEVENS: I am simply suggesting to the chairman that we should proceed in what I myself believe to be an orderly fashion, and I think we will make probably more headway that way. I therefore, Mr. Chairman, rise for the purpose of asking that, in accordance with the decision of the committee at the last session, the president of the company now be called and his examination be proceeded with.

Mr. VIEN: Mr. Chairman, on the motion presented by Mr. Duffus, and addressing myself to the remarks just made by the Hon. Mr. Stevens, I would suggest that it would be much more orderly and much more expeditious for the committee to consider the bill as it will stand when it is amended. We should know what we are talking about. Clause 1 of the bill touches the name. Clause 2 touches the capital structure; and Clause 3, which is to replace all the other clauses, touches the maximum charge which can be asked from the borrower inclusive of interest and services, and also the system of loaning; that is to say, a straight interest charge of two per cent per month instead of a discount basis as presently carried out. It will not delay at all the hearing of the officers of the company, and I think that the committee will be much better able to intelligently put questions to the officers in the company if they know that there are only three clauses or three sections in the bill. All the other sections, if they stood as they are printed, would prompt hon. members to ask questions of the officers of the company which no longer have any substance nor interest, if the bill is amended as it is going to be amended.

Mr. TUCKER: Who says it is going to be amended?

Mr. VIEN: At least, I mean to say as it is going to be suggested that it be amended.

Mr. TUCKER: We have got to decide whether we want to amend it or not.

Mr. VIEN: Exactly.

Mr. TUCKER: There are some things as it stands that I am in favour of.

Mr. VIEN: I am suggesting this, that the sponsor of the bill asks leave to drop sections 3, 4, 5 and 6 of the bill. He asks leave to drop them and for leave to substitute in lieu thereof another section. I therefore suggest to you, Mr. Chairman, that it is preferable that if such amendment is to be allowed, we should know it now, because then we would know what we are addressing ourselves to, and what is the nature of the bill. It is useless to discuss clauses that are going to be deleted if the committee so decide. I therefore think it logical and proper that we should first consider if the sponsor of the bill shall have leave to drop sections 3, 4, 5 and 6 and substitute in lieu thereof one section which is to become section 3.

The CHAIRMAN: Mr. Vien, how do you dispose of Mr. Stevens' assertion, which is in line with my memory, that we are now discussing a specific motion that was passed at the last meeting?

Mr. VIEN: There is no motion, Mr. Chairman, before the chair. The motions that have been put by the chair have been dealt with and disposed of.

Hon. Mr. STEVENS: No, not disposed of.

Mr. VIEN: Yes.

Hon. Mr. STEVENS: No, no.

The CHAIRMAN: Have you a copy of the last motion that was put before the chair?

The CLERK: Yes.

Mr. VIEN: There is no conflict, Mr. Chairman, between the motion that the officers of the company be heard and the motion of the sponsor that the bill be amended. The officers of the company should be heard on the bill as it should stand. I think it would be much more orderly, intelligible and clear if we know what bill we are discussing. If the committee refuses leave to amend the bill, then we are addressing ourselves to the bill as printed. But if the committee allows the motion to carry, then we address ourselves to the bill as amended. I think it stands to reason that it is preferable to know what we are talking about.

Mr. DUFFUS: Do you second my motion, Mr. Vien?

Mr. VIEN: Yes.

The CHAIRMAN: Mr. Vien, the clerk of the committee has handed to me a copy of the motion, which is as follows:—

On motion it was resolved: That Mr. Finlayson be now heard, starting at Section 1 of the Bill and give an explanation of its provisions, with regard to the borrowers as well as the company, Mr. Finlayson's statement to be printed for the use of the committee.

That is the motion, as I see it, that is now before the chair.

Mr. VIEN: Yes.

Mr. TUCKER: I understood that Mr. Finlayson had not finished his statement, and would be here this morning for questioning by the committee before we went on with the examination of the officers of the company.

The CHAIRMAN: It is purely a matter of form, as I see it, and I think we should try to keep as close as we can to some form.

Mr. CLEAVER: Mr. Chairman, if you were confining Mr. Finlayson's evidence now being given to section 1, there would be a great deal of merit in Mr. Stevens' contention. But if I understand what is going on, when dealing with section 1 Mr. Finlayson is going to roam the whole ambit of the bill and is going to be asked questions on the whole bill, then I think that we should permit now whatever amendment we are going to permit so that we will know what we are talking about.

Some Hon. MEMBERS: Hear, hear.

The CHAIRMAN: Then we will have to put it in the form of an amendment, as I see it, to the motion under discussion. .

Some Hon. MEMBERS: No, no.

The CHAIRMAN: I will be glad to hear argument.

Mr. DUFFUS: Mr. Chairman and gentlemen, I have only one thought in mind—or perhaps I should say two. The first one is to conserve the time of the hon. gentlemen of this committee, and the other one is that I can see no good purpose of discussing clauses that are not in the bill. I think if the discussion is confined to the amended bill, we will make much more progress. As Mr. Stevens said, I do not want to cut anything off, and it may be that we will have to refer to certain other statements in order to bring out the information that was intended to be brought out in this committee. But my whole purpose is to conserve the time of the committee by not discussing things that are not in the amended bill.

The CHAIRMAN: Mr. Stevens, do you see any objection to a record being made that the sponsor of the bill drops these clauses and has certain amendments to suggest in their place?

Hon. Mr. STEVENS: When we reach the proper clauses?

The CHAIRMAN: Yes.

Mr. VIEN: Why not now?

Mr. McPHEE: Mr. Chairman, this is no reflection on Mr. Duffus, whom I admire very highly—

Mr. DUFFUS: Thank you.

Mr. McPHEE: But I suggest the proper time to have made this suggestion was when this bill was before the committee of the house, instead of the company's officers writing a letter to the Minister of Finance stating that they would be prepared to do something when the bill got to the Banking and Commerce Committee. If the sponsor of the bill then had asked leave to have these sections deleted, we would have before us to-day a properly printed bill, and know what they actually want the Banking and Commerce Committee to do. Now, what are the facts? Here is a bill consisting of eight or ten pages. We have gone carefully over this, and now we are confronted with the suggestion that clause 3, practically the whole bill, be stricken out and some other section substituted in lieu thereof. These printed sections are not before us in the form of a bill. The Finance Corporation have had ample time for the officers of the house to have had this bill, if they wanted to withdraw those sections, printed in proper form so that it would be intelligible to us. I submit that there is no member around this table capable of—

The CHAIRMAN: Just a minute, Mr. McPhee, I quite agree with you as to convenience. But have we the authority, as a committee, to have the bill reprinted?

Mr. McPHEE: That was my suggestion.

Hon Mr. STEVENS: It is a private bill, and it is the duty of the proposers of the bill to have the printing done and they are charged for the printing.

Mr. VIEN: They cannot have the bill reprinted with the amendments before the committee decides on them.

Hon. Mr. STEVENS: I quite appreciate that.

Mr. VIEN: Therefore, we are saying if it is necessary to have the bill reprinted for the assistance of the committee, it will be a simple matter. But, I think that the first step we should take, Mr. Chairman, is to ascertain the pleasure of the committee as to whether Mr. Duffus will have leave to amend his bill.

The CHAIRMAN: Mr. Walker wishes to address the committee.

Mr. WALKER: I would like to explain to this committee first of all about the procedure. I myself take the responsibility for having followed the wishes of the government. I have done exactly what I was asked to do, and if I made a mistake, then the mistake can be laid at the door of the government. I understood that the reference of this bill to this committee was based on the undertaking that we gave. Now, if we are to be asked to discuss something different, then I feel as though I had breached my undertaking. Secondly, I want to point this out, that we did prepare as best we could a partly typed and partly printed amendment which, with the bill, made it perfectly clear. We had enough copies for the whole of the committee that assembled the first time this matter was brought up. They were distributed to each member of the committee. If they are not now in the hands of the members of the committee, I regret it exceedingly. But I submit that we cannot be expected to have them retyped and reprinted for each meeting.

The CHAIRMAN: Mr. Walker, have you any objections to having the bill reprinted in the form suggested, with the amendment?

Mr. WALKER: Not at all, Mr. Chairman.

The CHAIRMAN: Is it the pleasure of the committee that the bill be reprinted as amended and that we have copies of it for our next meeting?

Some Hon. MEMBERS: Yes.

The CHAIRMAN: Then it is carried.

Mr. TUCKER: Mr. Chairman, I wish to speak to that.

The CHAIRMAN: That is all right.

Mr. TUCKER: This bill was referred to us by the House of Commons in its present form. It is not within the power of anybody to take it for granted that this bill is going to be changed.

The CHAIRMAN: No, nobody is going to take it for granted.

Mr. TUCKER: Then it cannot be amended until we have considered it section by section and decided whether some of these sections should be dropped or whether they should not be. One of the sections that I would like to ask Mr. Finlayson about now, for example, is section 5 in this bill, which says: "Power to buy, sell and deal in conditional sales agreements, lien notes, etc." Old section 5 (1) (a) eliminated. The personal finance business should be distinguished from the business of financing trade paper or the purchase of new goods." Apparently this company thought that companies like this should be prohibited from entering into the business of financing trade paper or the purchase of new goods. If they think that, I think we should ask Mr. Finlayson if he agrees with that; and if he agrees with that, then they should be prohibited from doing so.

The CHAIRMAN: Mr. Tucker, let us speak to the motion.

Mr. TUCKER: Well—

The CHAIRMAN: The matter we are discussing, probably in an informal way, is as to whether or not it is your pleasure to have the bill reprinted in the form in which it is now suggested it should pass the committee. After we have decided that, we might then go on with the discussion of the matters that you raised. But is it your pleasure that we do that? Might I ask your views in an informal way?

Hon. Mr. STEVENS: With all due respect to your suggestion, might that not amount to acceptance of the principle of the bill?

The CHAIRMAN: Not at all.

Hon. Mr. STEVENS: I am opposed to it.

The CHAIRMAN: Not at all. It just means that we have it, as Mr. McPhee suggested, for our consideration before us.

Hon. Mr. STEVENS: I am going to make it very, very clear that I am objecting absolutely to the procedure.

Mr. VIEN: All right.

Mr. DONNELLY: We have continuously for the last ten years been having bills come before the committees, and they have been printed four or five times before we agreed to which form we wanted. Why should not this man be allowed to print his bill in the form he wants it, so that we will know what we are considering?

The CHAIRMAN: I doubt very much if we could stop him from reprinting it.

Mr. DONNELLY: No.

Mr. COLDWELL: Is this not in effect substituting one bill for another?

The CHAIRMAN: No.

Hon. Mr. STEVENS: Absolutely.

The CHAIRMAN: It is just reprinting it.

Mr. COLDWELL: The amendment which they are asking makes it practically a new bill. That being the case, should this not go back to the House of Commons?

The CHAIRMAN: No.

Hon. Mr. STEVENS: Mr. Chairman, I am going to make this suggestion to you; not that I agree with it, but because I think it is the proper procedure—you might rule that my objections are out of order, and that Mr. Duffus' motion should be considered.

The CHAIRMAN: I have not ruled that.

Hon. Mr. STEVENS: No. But I say you might do that. I think that would be perfectly within your power. Then we would have before us this motion; and if that motion is before us—that is, this substituted bill—I am prepared to discuss it, and I have some very definite reasons for doing so. But it is impossible to advance those reasons on a sort of general consent—as you say, informally.

The CHAIRMAN: The suggestion, as I understood it, which was made by Mr. McPhee was that the bill be reprinted with the amendments for the information and convenience of the committee. Naturally, that motion does not commit the committee to the principle of the amendment. It is simply a matter of convenience so that we can have it before us. Then we would be able to proceed.

Hon. Mr. STEVENS: And that is what we would have before us.

The CHAIRMAN: Then you would proceed with it clause by clause, one, two, three.

Hon. Mr. STEVENS: And what then?

The CHAIRMAN: We have before us the original bill, and we have the printed amendments.

Hon. Mr. STEVENS: Two bills.

Mr. VIEN: No. We are complicating matters for nothing. The procedure is most simple; and every member of the committee who has had some parliamentary experience knows it.

Hon. Mr. STEVENS: Yes, except me.

Mr. VIEN: Oh, you do too.

Hon. Mr. STEVENS: No. I can see very clearly what this all means. I do not need to be told. And I am objecting to it. That is all I have got to say.

Mr. VIEN: Mr. Chairman, I for one do not propose, in seconding Mr. Duffus' motion, to commit the committee to the principle of section 3. The committee is not committed to any sections of the bill as yet. The sponsor of the bill moves that he be permitted to amend the bill by dropping sections 3, 4, 5 and 6, and substituting in lieu thereof a section to become section 3, on which the committee does not commit themselves; but the bill will now be considered by the committee having three sections—section 1, the name; section 2, the capital structure; and section 3, the mode of operations. That will be the bill which the committee will be called upon to consider. Therefore, I second the motion of Mr. Duffus that he be permitted to amend the bill accordingly and to have it reprinted.

Mr. TUCKER: Mr. Chairman, I desire to examine Mr. Finlayson, directing many questions as to the advisability of dropping some of these sections that are proposed to be dropped and adding the new section. So that whether this motion is going to stand before you or not, I suggest that we proceed with the examination of Mr. Finlayson. As a matter of fact, it may be taken for granted by some members that anything that is suggested is going to go through this committee, but I do not think they have any right to assume that.

The CHAIRMAN: Nobody takes that attitude.

Mr. TUCKER: No, but the last speaker said we will then have the three sections before us, assuming it is going to be carried.

Mr. VIEN: No, not at all.

The CHAIRMAN: Not at all.

Mr. TUCKER: Why the motion?

Mr. VIEN: The motion is for the purpose of—

Mr. TUCKER: We are examining, as I understood it, Mr. Finlayson, and we will direct our attention towards the bill as a whole. When we get to section three we can consider then whether we are going to have it amended or not in the light of the examination of Mr. Finlayson and the officers of the company. For the life of me I cannot understand why this motion is interjected into the committee at this point in the middle of Mr. Finlayson's examination.

Mr. CLEAVER: Mr. Chairman, it does seem to me that this bill is so contentious and that opinions of the different members of the committee are so divergent that we will not get anywhere or make any progress at all unless we proceed in an orderly way and discuss one section at a time. I think this whole difficulty has arisen owing to the fact that in hearing Mr. Finlayson's evidence the gates were thrown wide open and we were taking his evidence on the whole bill instead of on section 1.

Some Hon. MEMBERS: Hear, hear.

Mr. CLEAVER: I quite agree with Mr. Stevens that Mr. Duffus' motion is premature. He has no right to decide to amend section 3 until we come to section 3. But the reason that motion has come before us is because we have been hearing evidence and having discussions on the whole bill. Let us go back to the beginning and start taking it up in an orderly way one section at a time, and confine ourselves to one section at a time. Then when we come to section 3 let us have the amendment that the company asks should be made and let us discuss it. Meanwhile, let us take section 1, the name; section 2, the capital structure, and then when we come to section 3, let us have the amendment they wish.

Mr. MARTIN: Hear, hear.

Mr. VIEN: All right.

Mr. WOODSWORTH: Mr. Chairman, I was a little late, but what bill was it that passed second reading in the House of Commons? I cannot see how we can fundamentally alter or consider a bill that did not pass second reading in the house. We have no right to consider any other bill than the bill that went through the house. Some of us spoke on the bill there. Some of us opposed it; some of us were in favour of it. But we cannot in this committee consider a bill that did not pass second reading in the House of Commons.

The CHAIRMAN: We can consider an amendment, a proposed amendment, to the bill, can we not?

Mr. WOODSWORTH: No, not where the principle is altered. There is a certain principle put before the House of Commons. That principle was discussed. The whole argument in the House of Commons was considered there. Therefore, the result is that once a bill is put to vote in the House of Commons, we in this committee have no right to alter the principle of that bill. The only possible thing for us to do would be to recommit it, to have it referred back and a new bill introduced in the House of Commons.

Mr. CLEAVER: Will it not be time enough to decide that question when we come to section 3? We can send this bill to the house without any section 3 at all. I would move that we proceed by way of orderly discussion and deal with the sections one at a time. We are now on section 1, and I would move

that we confine Mr. Finlayson's evidence and our discussion to section 1, for that is the only way we can make progress.

Mr. VIEN: I support that view, Mr. Chairman. I think we shall have obtained all that is required for the time being by the notice of motion of Mr. Duffus. When we come to section 3, Mr. Duffus will move that all the sections 3, 4, 5 and 6 be dropped and that the section which has been discussed will be substituted therefor. With this in mind, I think we can proceed as suggested.

The CHAIRMAN: Do you withdraw your motion?

Mr. VIEN: No. It stands for the time being.

Mr. DUFFUS: Whatever your pleasure is, Mr. Chairman. If you wish me to withdraw the motion, I will be happy to do so and to move the amendment later.

The CHAIRMAN: Motion stands. We are at the original motion now. The motion before us is "that Mr. Finlayson be now heard starting at section 1 of the bill and give an explanation of its provisions with regard to the borrowers as well as the company, Mr. Finlayson's statement to be printed for the use of the committee."

Mr. McPHEE: First of all, will it be printed and distributed, the amended bill—the amended section?

The CHAIRMAN: If that is the pleasure of the committee, let us take a vote on it. All those in favour?

Mr. McPHEE: No, not the original bill, the amended one.

The CHAIRMAN: Yes, the amended one.

Mr. McPHEE: I have not got a copy of the amendment.

The CHAIRMAN: What do you think?

Mr. MARTIN: I suggest that this company be asked in the meantime to go ahead and print the bill for our convenience.

The CHAIRMAN: Yes. Proceed, Mr. Finlayson.

Mr. CLEAVER: Having heard Mr. Finlayson on section 1, I now move that section 1 carry. We have heard him.

Mr. TUCKER: I would like to ask Mr. Finlayson some questions. I understood that Mr. Finlayson—

Mr. CLEAVER: On section 1?

Mr. TUCKER: No. He makes some general statements that I would like to ask some questions on.

Mr. CLEAVER: The motion is on section 1.

Mr. TUCKER: No.

Mr. CLEAVER: You brought this on yourself.

Mr. TUCKER: No, the motion carried in this committee was that Mr. Finlayson be now heard, starting at section 1 of the bill and give an explanation of its provisions.

Mr. CLEAVER: Section 1.

Mr. TUCKER: And give an explanation of its provisions—it means the provisions of the bill—with regard to the borrowers as well as the company; the provisions of the bill in regard to borrowers as well as the company. Now, I am going to protest again if there is any attempt to shut off the examination of Mr. Finlayson—

Mr. MARTIN: There is no such attempt.

Mr. TUCKER: —in reference to the purpose of this bill, the advisability of this bill and so on.

Mr. MARTIN: Why make that statement?

The CHAIRMAN: Well, Mr. Finlayson, Mr. Tucker has some questions to ask you.

Mr. G. D. FINLAYSON, Superintendent of Insurance re-called.

The WITNESS: Mr. Chairman and gentlemen, might I first make a correction in some figures that I gave to the committee on section 1 at the last session. I was asked the amount of capital that this company had at the end of 1932 just before the control was acquired by the Household Finance Corporation. I think I said that I thought it was about \$200,000. I find that the subscribed capital at the end of 1932 was \$252,500, of which \$141,850 was paid. That is all I have to say, I think, with what I said last day, on section 1. I am prepared to answer any questions that I can answer which any member desires to put to me.

The CHAIRMAN: Mr. Tucker, you may proceed.

By Mr. Tucker:

Q. Mr. Finlayson, the suggestion has been made that parliament has accepted the principle of two per cent interest a month, and I want to direct some questions in regard to that.

Mr. CLEAVER: Mr. Chairman, I object.

Mr. VIEN: On a question of order, Mr. Chairman—

Mr. CLEAVER: I am speaking on a point of order.

Mr. VIEN: All right.

Mr. CLEAVER: I suggest with deference that we are not going to get anywhere if, after all this discussion that has taken place, Mr. Tucker now starts to discuss section 3.

Mr. MARTIN: Yes.

Mr. CLEAVER: And to direct questions to the witness with regard to section 3. That is just what he was objecting to a few minutes ago. We are now on section 1. I do submit and urge that the question should be directed to section 1 and not to section 3.

The CHAIRMAN: Certainly. That would seem to be a businesslike way of procedure, Mr. Tucker.

Mr. TUCKER: Mr. Chairman, Mr. Finlayson has given evidence as to the desirability of the whole bill and I just wish to ask a very few questions in regard to that matter.

Mr. EDWARDS: Can we not come under the proper section? We are wasting a lot of time.

Mr. TUCKER: As a matter of fact, Mr. Chairman, it comes down to this: If we are going to have to examine Mr. Finlayson and each officer of the company piecemeal on each section, it will take us twice as long as if we examined Mr. Finlayson on the bill as a whole and got through with it. If the members of this committee are going to insist that there is to be a separate examination on every section, then of course we will have to divide up the examination accordingly. But I would suggest that it will take a good deal more time to examine Mr. Finlayson seven or eight times.

Mr. CLEAVER: Why not consent now to the amendment of section 3?

Mr. VIEN: That is what we are asking.

The CHAIRMAN: Coming to the discussion, we are on clause 1.

Mr. CLEAVER: Stay with clause 1.

The CHAIRMAN: Yes, please stay with clause 1.

Mr. TUCKER: I just wish to ask some questions on clause 1.

Mr. VIEN: All right.

Mr. TUCKER: We are on clause 1, and our examination is supposed, I understand, Mr. Chairman, to be restricted to examining Mr. Finlayson on clause 1, that we are not to be permitted to ask him questions in regard to statements he made the other day. Is that your ruling?

Mr. VIEN: Exactly.

Mr. TUCKER: I would like to know that before we start. Mr. Finlayson made certain statements the other day and we are not to be permitted to ask questions about them; but we are to be restricted to anything arising out of clause 1. Is that your ruling, Mr. Chairman?

The CHAIRMAN: That is my ruling.

Mr. TUCKER: I see.

By Mr. Tucker:

Q. I would like to ask Mr. Finlayson in regard to that if he thinks that, by this company being given the same name as a foreign company and having that company controlled entirely in the United States, it is in the interests of development along those lines in Canada?—A. All I can say to that, Mr. Chairman and gentlemen, is that I can see no objection to it. The change of name will not prevent or facilitate the flow of money into Canada from the United States. Apparently that money is going to come anyway, whether we change the name or not. The only suggestion I would have to make, as I have made, is that for the purpose of distinguishing the legal entities this name be made "The Household Finance Corporation of Canada." Then the two can be distinguished.

Mr. WALKER: That was carried on page 7.

Mr. MARTIN: Of course, this motion has been carried.

The CHAIRMAN: What is your pleasure in regard to clause 1?

Mr. MARTIN: That has been carried, I think.

The CHAIRMAN: Clause 1?

Mr. MARTIN: No, this particular clause with regard to the name. It was up the other day.

Hon. Mr. STEVENS: No, no.

Mr. MARTIN: I may be wrong.

The CHAIRMAN: The preamble alone is carried.

The WITNESS: I do not think any section is carried. The change I suggested I think was accepted by the company.

The CHAIRMAN: Yes.

The WITNESS: And no objection was voiced in the committee, so far as I recall.

Mr. MARTIN: Yes.

Hon. Mr. STEVENS: Mr. Chairman, according to the decision at the last meeting, reading from the minutes, I notice: "The officers of the Central Finance Corporation be now called to give evidence." I presume if you are going to proceed in this way we will have to ask that they be called now.

The CHAIRMAN: If Mr. Finlayson is finished. Are you finished?

Hon. Mr. STEVENS: I thought he was.

The WITNESS: I am quite through with section 1, unless there are further questions.

Hon. Mr. STEVENS: That is what I understood him to say. I think we should call the president of the company.

[Mr. G. D. Finlayson.]

Mr. CLEAVER: On section 1.

Hon. Mr. STEVENS: I would suggest that we swear the president as a witness, and proceed with the examination. I would like to ask some questions on section 1, so I would suggest that the witness be sworn.

Mr. VIEN: Mr. Reid is vice-president and general manager.

ARTHUR P. REID, called and sworn.

By Mr. Donnelly:

Q. What is your position, Mr. Reid?—A. Vice-president, Central Finance Corporation.

Mr. FINLAYSON: And general manager?

The WITNESS: Yes.

By Mr. Martin:

Q. You are a Canadian, are you, Mr. Reid?—A. Yes.

By Hon. Mr. Stevens:

Q. Mr. Reid, who is president of the company?—A. Mr. B. E. Henderson.

Q. Is Mr. Henderson here?—A. No.

Q. He is where—in Chicago?—A. Mr. Henderson is, I believe, at the present time, on a vacation in Mexico. He had a breakdown.

Q. He is not available?—A. No.

Q. That is quite all right. I just wanted to make sure of that?—A. Yes.

Q. We are on section 1 of this bill, Mr. Reid. In that you are asking parliament to change the name from the Central Finance Corporation to Household Finance Corporation. I am presuming—and will you state, please, if I am correct—that the Household Finance Corporation name is being adopted because you are largely financed now by the Household Finance Corporation of the United States?—A. We are a wholly-owned subsidiary, except for directors' qualifying shares. As you are familiar, the Loan Companies Act requires that the majority of the directors be Canadians, resident in Canada, and that they shall each hold in their own right twenty-five shares of stock.

Q. Yes?—A. Except for the 125 shares which are owned by the five directors, the entire capital stock of the company is owned by the Household Finance Corporation.

Q. I notice in the reports of the company that this is \$2,500 each director has subscribed?—A. That is quite right—subscribed and paid for.

Q. And paid for?—A. Yes.

Q. And the Household Finance Corporation of the United States is the owner of, less the amount of qualifying shares, \$475,000 worth of the stock of this company?—A. Yes, \$500,000, less \$12,500 worth of stock to the directors.

Q. Yes, and they subscribed that in 1933?—A. All except \$25,000 worth of stock which was recently subscribed to complete the paid up capital.

Q. Yes, and that has continued down to the present. The business of the Central Finance Corporation has grown very materially during the past five years.—A. Quite so.

Q. I would like you to agree, if you will, with the date that I shall suggest in that respect. Outstanding loans in 1932—that is, at the end of December—was \$448,000. Is that correct?—A. Yes. I have not those figures right here, but they are substantially correct.

Q. I have the exact figures—\$448,843.88.

Mr. WALKER: Might we know what Mr. Stevens is reading from, so that we can follow it?

Hon. Mr. STEVENS: Well, I am reading from my own compilation. If you would prefer, of course, I can read from the report.

The WITNESS: I think those figures are substantially correct.

Hon. Mr. STEVENS: I will read from the report, if it is going to be questioned.

Mr. WALKER: No, Mr. Stevens, I had no such intention.

By Mr. Stevens:

Q. I am reading from page 25 of the report of the superintendent of insurance on loans and trust companies of December 31, 1932.—A. I have that now; those figures are correct.

Q. I notice for loans on endorsed promissory notes, \$448,843.88; is that correct?—A. That is correct.

Q. Then I notice, without going into too much detail, the next year it about doubled, and the next year it doubled and in 1935 it increased to over \$2,000,000 and in 1936 it increased to \$3,115,033.28. Is that correct?—A. Yes.

Q. That is a very substantial increase, you will admit?—A. Yes.

Q. In the next place, I notice that you borrowed or you were working on borrowed capital, if I may use that term, and in 1932 this borrowed capital amounted to \$288,000; again, if I must be absolutely accurate, I will be.—A. That is quite correct.

Q. \$288,000?—A. Yes.

Q. That was borrowed from the company?—A. That is right.

Q. I notice in the next year your reports show that you had borrowed \$349,880.71 and the expression used is "from a financial corporation."—A. Yes, that is correct; from the parent company.

Q. I was going to ask that question; that is the Household Finance Corporation of the United States?—A. Yes.

Q. Then I notice that the borrowings have increased until in 1936 they amount to \$2,105,116.26?—A. Yes, sir.

Q. And just for the sake of accuracy, you will agree that in each of the years all of the money expressed as borrowed money was from the one source, the Household Finance Corporation?—A. Quite so.

Q. I further notice that the interest paid to the parent company, other than, of course, the interest to the bank, in 1931 and 1932 and subsequent to that varied—

Mr. MARTIN: May I ask you to follow that, interest to what banks?

Hon. Mr. STEVENS: I was ignoring bank interest, because it only goes in the bank the first year, and I think you can ignore that.

By Hon. Mr. Stevens:

Q. But the interest paid to the parent company for the borrowings, according to the statements issued in 1933, 1934, 1935 and 1936, averaged around 5 per cent or a little less. Is that correct?—A. No, sir. That is hardly correct. No interest has been sent outside of Canada at all. It has been purely a book-keeping entry. It has been simply added to the book debt by Central to Household. There has been no interest transferred at all since Household came into this country. Neither dividends nor interest have gone out of the country.

Q. There was a credit in some form on your books?—A. Yes, just as a book-keeping entry.

Q. I was coming to that phase of it a little later, but this is a good place to put it in. I notice that amount of interest was charged in your account?—A. Yes.

Q. And it appears in your statement?—A. Yes.

Mr. LAWSON: On borrowed money?

Hon. Mr. STEVENS: Yes.

Mr. LAWSON: At what rate?

[Mr. Arthur P. Reid.]

Hon. Mr. STEVENS: It varies.

The WITNESS: No, sir. I would say 7 per cent. It is calculated at 7 per cent, although as I say, it has not been paid out.

By Hon. Mr. Stevens:

Q. I was taking the total as the only way I could come at it.—A. Yes.

Q. I notice that the total interest paid in those five years, or not paid, but charged,—A. Charged.

Q. On your books?—A. Yes.

Q. Was \$266,150.83. Can you verify that?—A. I could be adding it up.

Q. Well, I have it before me.—A. It appears in this statement.

Q. I have added it myself. We could give the figures for each year, and perhaps you could check them that way. 1932, \$26,255.81.—A. That interest for 1932 is not paid to the parent company. That was paid to the banks.

Q. That was paid actually to the banks?—A. Yes.

Q. That is what I presumed. In 1933 it was \$6,323.35.—A. Yes.

Q. Is that right?—A. That is quite right.

Q. In 1934, it was \$50,000?—A. Yes.

Q. And in 1935, it was \$77,070.94; is that right?—A. \$77,121.88.

Q. In 1936, it was \$116,506.73?—A. Yes.

Q. Therefore, after deducting \$26,000 paid to the bank in 1932, it totals \$239,895.02 having been charged up in your books as interest and credited to the parent company; is that correct?—A. Assuming those mathematics are correct, I would say so—\$249,896.02.

Mr. WALKER: There is a difference of a dollar there.

The WITNESS: \$249,896.02.

By Hon. Mr. Stevens:

Q. \$249,896.02 is right. Now, this is borrowed capital. Did you borrow it in cash from the head office?—A. Yes.

Q. All of it?—A. Yes.

Q. How does it come that, for instance in 1933, you borrowed in cash from a company in the United States \$349,880.71?—A. I suppose the exchange rate might have had something to do with that, adjustment of exchange, the price they would pay for the Canadian dollars. It is quite possible that our bank account would be credited in this sense—if they sent over a check for \$100,000, the American dollars would be converted into Canadian dollars here. It is quite possible that would account for it.

Q. That would be the explanation?—A. I would think so, yes.

Q. There is no question of this, that it is a cash investment?—A. Absolutely.

Q. By the parent company?—A. Absolutely.

Q. All of it?—A. Absolutely; every cent of it.

Q. Now, the increase in the amount borrowed is \$1,000,000; that is, taking \$2,105,000, and deducting from that \$2,105,116.26 which is shown in your statement of 1936, that \$288,000 borrowed from the bank, it leaves \$1,817,000 in round figures which is the borrowings from the parent company. Do you verify that?—A. Why deduct the bank borrowings?

Q. Well, I just deducted that because in other words you paid that off.—A. Yes. The Household carry that. They bought assets and liabilities.

Q. Your borrowings are \$2,105,116.26?—A. That is correct.

Q. By the way, first let me refer you once more to the increase in the notes which seem to be the main business of the company. Loans on endorsed promissory notes is the way it reads, increased from \$448,843.88 in 1932 to \$3,115,033.28 in 1936; that is in the last four years, described as loans on instalment notes receivable. That is correct, is it not?—A. Yes.

Q. Your increase of capital was \$333,000 in that period. Do you agree with that? There may be some odd dollars, but the round figures are \$333,000.—
A. It is just a matter of subtraction, the difference between those two figures. I am assuming your figures are correct.

Q. All right. Your borrowings were \$2,105,000 and you have outstanding loans increased to \$2,667,000. That gives us a difference of about \$250,000. Where did that money come from that was invested in those instalment notes?

—A. The surplus that was accruing from year to year.

Q. That was your surplus accumulating and reloaned in your business?—
A. Yes, quite so.

Q. Can you give us a statement or make a statement as to the total amount of interest, if any, or dividends or any other bonuses or payments made to the parent company, in the five years, if any?—A. None, sir, other than interest which has been placed on the books as a book-keeping entry. No dividend has been paid at all or no money has been transferred out of the country by way of interest or dividend to the parent company or any other way.

Q. You have, I presume, your arrangement with the Household Finance Corporation of the United States regarding the revamping of this company, if this bill passes and authority is given?—A. What do you mean by revamping? The Household Finance own this thing.

Hon. Mr. STEVENS: Mr. Chairman, I may seem to trespass into the next paragraph, which I do not wish to do.

By Hon. Mr. Stevens:

Q. Let us put it this way: If this bill passes and the increased capital is allowed, you must have some understanding with the parent company as to what disposition is to be made of that, Mr. Reid?—A. Yes.

Q. Will you tell us what that is?—A. I will be very glad to. They will simply convert their book debt into capital; that is to say, they will accept stock in payment of the book debt.

Q. I notice you have a surplus in 1936, and it is the first time you erect this reserve?—A. Yes.

Q. December 31, 1936, reserve fund, \$300,000. That is, I presume, part of your surplus?—A. That is right.

Q. And you carry it to a reserve fund. That reserve fund plus the borrowings you have made from the companies, plus any other reserve or surplus that may show, will be then converted into capital stock. Is that the proposal?—A. Well, I would not go so far as to say this reserve will completely be transferred to capital stock. This a matter of policy. It is the intention to convert the debt from Central to Household into stock, and to pay off that debt by giving the parent company stock. How much farther that will go I do not know.

Mr. CLEAVER: Might I interrupt you, Mr. Stevens. I have a number of questions, Mr. Chairman, which I myself would like to direct to the witness in regard to section 2 of this bill, but I think the committee rather agreed with your ruling that we would confine ourselves now to section 1.

The CHAIRMAN: I think Mr. Stevens asked permission to deviate for a minute or two.

Hon. Mr. STEVENS: As a matter of fact, Mr. Chairman, I merely referred to the fact of the possible passing of this bill. That is the only place I touched on section 2.

Mr. CLEAVER: All your questions have been directed to section 2, to the proposed new capitalization of the company.

Hon. Mr. STEVENS: That may be a matter of argument.

[Mr. Arthur P. Reid.]

Mr. CLEAVER: I have some questions that I would like to ask on that.

Hon. Mr. STEVENS: I will be through in a few minutes.

Mr. CLEAVER: I do not want to go against the ruling of the Chair.

Hon. Mr. STEVENS: Neither do I.

Mr. CLEAVER: We are now on section 1.

Hon. Mr. STEVENS: I imagine there is a chairman here.

The CHAIRMAN: Mr. Stevens is nearly in order.

Hon. Mr. STEVENS: And Mr. Chairman, I would invite you to call me to order, if I stray.

The CHAIRMAN: Too far.

Hon. Mr. STEVENS: Frankly, I think the matter is extremely important at this point. I do not wish to enter into an argument, but in this section we are doing something of major importance in this bill; that is, we are agreeing to this company completely reconstructing its form.

Mr. CLEAVER: In section 2.

Hon. Mr. STEVENS: No.

The CHAIRMAN: Let him finish, please.

Hon. Mr. STEVENS: This is the Household Finance Corporation, of the United States that is entering into this picture, and has entered into this picture; and what I am getting at is this: What is the position with regard to this company and the parent company? I think we have a right to know.

Mr. CLEAVER: I want to know also.

Hon. Mr. STEVENS: I would like to perhaps find it out in my rather stupid way. I wish I had some experience in these matters; but I might be able to do it a little better if I were not interrupted so much.

Mr. JACOBS: I think you have had some experience.

Hon. Mr. STEVENS: Now we are hearing from a master in Israel.

By Hon. Mr. Stevens:

Q. Now, Mr. Reid, in your statement for 1936, you had a reserve described as a reserve for bad debts. Will you tell me how that reserve is built up, and just what enters into that \$93,601.26?—A. It is a reserve built up from year to year; and against that reserve are charged our losses for the year.

Q. Yes?—A. It has been built up so far on a basis acceptable to the Income Tax Department.

Q. Please understand that I am not questioning your bona fides in it at all?—A. No.

Q. I just want to know what it means?—A. We believe the reserve is necessary because, as I think you will realize, we never know from day to day what accounts are going to go sour to-morrow or next week. Even after we charge these accounts off that are apparently losses, absolutely hopeless, there is still an open account on our books—loans perhaps made the same day. They may have an element of loss in them, and all we can do is build up that reserve from year to year to a point where we feel it is adequate to protect us against delinquencies and contingencies that might arise, and so on. In a very good year, your percentage of loss may be low; but you do not know but what in six months' time you may be in some depression or you may be in some epidemic, plague or hazard which would increase your losses considerably; and like any other business having money—having receivables on its books, we have to provide a reserve for that.

Q. Now, we have this sum for bad debts at December 31, 1936 of \$93,600 odd. That is, I take it from your last answer, what is left after taking care of bad debts up to that date?—A. Apparent bad debts.

Q. Yes, apparent bad debts; that is, what remains?—A. That is correct.

Q. So that is a real reserve; I mean, it is an actual reserve?—A. Yes.

Q. That is invested, I suppose, in loans probably on this instalment plan?—

A. Quite so.

Q. It is not invested in any outside security?—A. No.

Q. I notice that you have transferred to bad debt accounts the following figures; I will read these figures because I think it is probably desirable to get them on the record. In 1932, there was transferred to the reserve for bad debts, or there stood as a reserve for bad debts \$9,280.03. In 1933, in December, there was transferred to the reserve \$9,500; is that right? It is on the front of that sheet there, at the bottom of the page.—A. Yes.

Q. And in 1934, \$26,668.67 was transferred to bad debt reserves. Is that correct?—A. That is right.

Q. In 1935, \$14,692 was transferred to bad debt reserves?—A. Yes.

Q. And in 1936, \$40,229.67?—A. Quite so.

Q. That makes a total of \$100,370.37. Would the difference between \$93,000 and the \$100,000 represent the losses, or have you a statement showing the actual losses for bad debts?—A. There have been recoveries too.

Q. I mean, recoveries.—A. As I explained to the committee at the previous hearing, those figures are just a little bit misrepresentative for this reason, that during the past two years we have bought four unregulated provincially incorporated companies who, for one reason or another, wanted to get out of this business; and we bought their paper at a discount in some cases. Our method of buying the paper was that we simply appraised the accounts and offered a certain price for them, just like you buy merchandise on a shelf; and there were some accounts that were bought for 10 per cent or for nothing; and as they were collected and they were recorded—they were taken on our books as bad debts, and as they were collected, the income was credited to bad debts recovered which tends to indicate that our losses were lower during that period than they actually were. In other words, we did not encroach on our reserves to the same extent which we would have done had we not purchased those particular companies.

Q. Are bad debt recoveries credited to this account?—A. Yes, sir.

Q. They are all credited?—A. Yes.

Q. There is no question about that, is there?—A. There is no question about it at all.

Q. Will you agree with this as to the amount of bad debt recoveries in 1932, that bad debt recoveries were \$772.22?—A. Yes

Q. In 1933, it was \$7,071.13?

Mr. MARTIN: The first one was \$772, was it?

Hon. Mr. STEVENS: \$772.

The WITNESS: \$7,071.13.

By Hon. Mr. Stevens:

Q. And 1934, was \$9,438.39?—A. Yes.

Q. And in 1935 it was \$13,671.45?

Mr. FINLAYSON: Page 36.

The WITNESS: Thanks. \$13,671.45.

By Hon. Mr. Stevens:

Q. In 1936 it was \$16,525.48?—A. Yes.

Q. That makes a total of recoveries of bad debts of \$47,478.67. You agree with that?—A. Would you like me to add those as you go along?

Q. I simply want you to agree to that. I think that is quite right?—A. Yes.

[Mr. Arthur P. Reid.]

Q. That is a very substantial recovery in these times of depression and distress, Mr. Reid?—A. I would ask you to bear in mind the statement that I have just made that a substantial part of that recovery resulted from the purchase of other companies at a depreciated value.

Q. Have you any evidence to offer of the amount of that, or the extent of that?—A. No, I have not, because it has all been grouped in together. From an operating standpoint it does not matter to us very much.

Q. Well, can you give an estimate of what the amount was?—A. Oh, I could; but after all, I am under oath here. I do not think I should be asked to give an estimate on that. It would be a pure guess.

Q. Let me put it this way to you: \$47,478 recoveries of bad debts in a business of this character in these times is a very substantial recovery?—A. We are a very efficient organization.

Q. I am glad to hear that. I have no doubt of it. From what I hear, you are. But I ask you to agree or disagree with that statement?—A. Yes, sir; if that is all a result of recoveries from those bad debts written off, that would be right.

Q. You are unable to tell me what proportion is due to the companies you bought?—A. I could guess at it, just as long as you are insisting that I guess. I may be out \$5,000 one way or the other.

Q. Make an estimate?—A. I would say perhaps \$25,000 or \$30,000 had resulted from recoveries from these companies we had purchased. Our actual reserves would perhaps be reduced by that figure.

Q. Then if we add the recovery of bad debts, the \$47,000, to the difference between the \$93,000 and the \$100,000 that have been carried to the reserve over that period, that is \$7,000, giving \$54,500, roughly, that would represent—the balance represents your losses in that period, or how can you show me what the losses are in that period?—A. I would say that would be a reasonably accurate way of calculating that.

Q. Will you admit this, that this demonstrates that your business during the past five years has not been an unduly risky business?—A. No, sir. I will not admit that. I will admit that we have got our losses down, because as I say we are a very efficient organization. But we have kept the losses down by employing a large number of people and by collecting accounts in our own way, by educating people to budget, by helping them to find jobs in many cases, by helping them to manage their whole business better and in divers ways we have helped them to help themselves pay.

Q. All right. I am going to put the question to you again.—A. And that has cost money.

Q. Having in view your high efficiency, and giving you full credit for it, you will admit that the losses indicated by your company show that this is not an unduly risky business?—A. I think that is quite hypothetical. It may be very risky under certain circumstances.

Q. Any business is risky with bad management?—A. Yes, or even with mediocre management or ordinary management.

Q. But you have good management?—A. I am not particularly good at all, but we have the benefit of six years' experience. Our parent company has been in this business for sixty years.

Q. In its present form?—A. Yes, very much in its present form.

Q. Well, the laws have changed a lot.—A. Well, but the principle is the same—the same class of business.

Q. It might not be good to go back too far into the history of some of these loan companies, so we will not go into that.

Mr. MARTIN: I think we ought to.

Hon. Mr. STEVENS: I will go back as far as you like.

Mr. MARTIN: In the case of this company, I think you ought to go back to the beginning.

Hon. Mr. STEVENS: I will ask that question.

Mr. VIEN: But is that remark a fair one?

Hon. Mr. STEVENS: What?

Mr. VIEN: That we should not go very far back because of something improper.

Hon. Mr. STEVENS: I never said anything of the kind.

Mr. VIEN: Well—

Hon. Mr. STEVENS: Do not be too sensitive.

Mr. VIEN: I am not sensitive. I am trying to be sensible.

Mr. JACOBS: Are you succeeding? That is the point.

Hon. Mr. STEVENS: I will not pass any judgment on that.

By Hon. Mr. Stevens:

Q. When you make a loan, Mr. Reid, or when the Household Finance Corporation under their system make a loan, we will say of \$300 or less, what is the practice? What is the procedure?—A. Well, the procedure is hardly standard, Mr. Stevens, in any two cases. We are dealing with humans.

Q. Yes, that is so.—A. The human equation enters into each particular loan application; an approach to one applicant might be good, yet would be an entirely wrong one with another. I can give you a general idea of our procedure, if that is what you are seeking.

Q. Yes.

Mr. WALKER: Did Mr. Stevens intend to use the name Household, or did you want the witness to confine his answer to the company that he manages?

Hon. Mr. STEVENS: That is a very proper interjection. The company that he manages, of course. The word Household came to my mind simply because we are on that subject of changing the name.

The WITNESS: That is one of the reasons we want our name changed, because it is very often referred to as Household, even by our own employees.

By Hon. Mr. Stevens:

Q. Yes. I quite agree that the correction is right. Central Finance Corporation is what I am referring to. When you make a loan of \$300 you have the individual sign a note?—A. Not immediately, no sir. An applicant comes in—perhaps I had better—

Q. Or a series of notes, I should have said.—A. No.

Q. No?—A. Do you want me to tell you the procedure of making these loans?

Q. Surely, that is exactly what I want.—A. That is one of the last things that is done. An applicant comes to our office and makes known the fact that he wants to borrow money. At that time he is not asked to sign anything. He signs nothing until he actually gets his cash. He is asked questions by us at the time as to what he wants the money for. He tells us where he works, what his income is. If he is not in too big a hurry he might stay and tell us how many children he has in his family, whether or not he owns his own house and so on. He gives a complete list of his debts. We want to know that. We want to get the facts. We want to know that the money is going to be used for a sound purpose, that he is a good citizen. We are interested in knowing how long he has been in his present residence and so on; whether or not there is a likelihood of our getting our money back if we put it out, and whether or not that loan is going to be for his own good. At that particular time we might discover that

[Mr. Arthur P. Reid.]

his debts are so top-heavy that we could not economically make him a loan sufficient to retire all those debts; that is to say, his paying capacity would not enable him to meet the monthly payments which would be involved in liquidating all those debts. In many of these cases we have to work out a budget with him, and determine just how much each month he can afford to set aside for the retirement of those debts. Frequently we have to go to his tradesmen and other creditors and try to arrange a compromise with them or settlement of some sort whereby he will advance to them each twenty-five or fifty cents on the dollar, and they will stand down and wait for three, six, nine or ten months for some more. A lot of details of that sort have to be gone into. But having determined that the applicant is able to make monthly payments of a certain figure and that he needs the money for some worthy purpose, then we arrange to have an outside representative as we term him go to the home and make an evaluation of the household furniture, and generally discuss that transaction with the wife. I would like to point out right now that practically all our loans are made on the signature of the husband and wife. The only security we have is a chattel mortgage on the household furniture. We do not take endorsements nor do we take any other type of security. We do not take stocks, bonds, or real estate, or anything like that. We just take the household furniture. In other words, we are interested in that home as a business concern. The duty of that outside man is to visit the home, as I say, I should like to explain here that in some towns and cities, such as the City of Kitchener—we do business in Stratford, which is about thirty-five miles away; Elora, about the same distance; Guelph, fourteen miles; Galt, Saint Mary's and so on—all those towns within a radius of forty miles. Our man has to go out to their homes, and these people get just as good service from our Kitchener office as if they were in the place of our home office. That involves expense. That is service our borrowers want and they are willing to pay for it. He might make one trip to one of these homes and find nobody home. He might have to go back two or three times before he finds them in. His job is to bring back to the manager a complete picture of that home. We are interested not only in knowing not only what the furniture is worth or what it would likely bring at an auction sale, but we are particularly interested in knowing the way that home is being run, whether it is being run on a businesslike basis, whether the people are stable, whether there is evidence of proper home management, whether that home is on the verge of break-up, whether there is evidence of domestic discord or whether the husband and wife are pulling together and the home is really a going concern, and that the money that we are going to put out is going to be used for some sound purpose.

Q. And if there was evidence of discord, you would not make the loan?—
A. I would not say that. It would depend on the degree. As I say, there is no hard and fast rule; but we want to know the facts anyway, and we are interested in such things, for instance—you might be surprised at this—as to whether the children in that home look neat and tidy, whether there is evidence of sickness or impending sickness. Perhaps the wife or husband when they come to the office do not disclose to us that the wife may be going into the hospital for childbirth in a few months. Those things are very important to us. We want to know if there is any likelihood of an emergency arising that will perhaps make it difficult for them to pay their debt. We want to know how long that man has lived in that neighbourhood, whether he is the man that he said he was when he came to the office. We examine some of his receipts to satisfy ourselves that he has been paying his rent regularly. Perhaps he will show us receipts establishing ownership of his furniture. As I say, we are just genuinely interested in that; and I think you will agree with me we have been busy, when I tell you in the past four years, having made loans in excess of \$15,000,000, we have not touched a single stick of furniture in the homes of any of our borrowers; we have never written a bailiff's letter or threatened to send the bailiffs

around or anything like that, nor have we had recourse to the courts in suing these people. We have not garnisheed a single account. But that does not necessarily say that all these people are prime risks and that there is no hazard in the business. I can explain that in this way, that in order to protect these people and give them the services they are seeking, we employ a tremendous number of men, and we go to a great deal of expense. There is a tremendous amount of detail involved in providing that service.

Q. Now, will you get to the making of this loan, please?

Mr. MARTIN: You might ask him what he does in the case of an unfortunate individual like myself who is not married.

Hon. Mr. STEVENS: Well, you are out of luck.

The WITNESS: No. We frequently have cases where men will come to us and say, "I do not want my wife to know." You have already heard of a similar case to that. We knew that was not ours, because we would not make a loan of that kind. We call that a confidential loan. We will not make this loan unless the husband and wife actually come into the office and have the transaction explained to them and accept the cash together. That means both come into the office, except in the odd case where one of them is sick and cannot. Then if we are satisfied with the bona fides of the transaction, we will perhaps take the signature in the home of one of them. That application comes back to the office, and if the outside representative thinks there is a good likelihood of the loan being made, he will tell the applicant to call at the office on a certain date. The applicant and his wife come back to the office, and the manager goes over this report that has been prepared by the outside representative and checks up with the applicant on certain features of that report, asks them about certain dates or certain things that look a little bit out of order, or generally asks them questions that the application suggests. And having determined to make the loan, a chattel mortgage and note are prepared and explained. We make it a rule that the manager is the only one who can pay out that money to the customer. He must actually take the cash in to the customer and explain the transaction in detail, and say, "Mr. and Mrs. Jones, you realize you are signing a note for so much money; you are signing a chattel mortgage on your furniture for so much money. You have told us that you are paid on a certain date each month and have suggested you would like to make your payments on a certain date that will harmonize with your pay day. Is that right? You are called upon by signing this paper to pay so much on that particular date each month. You understand that?" And generally that transaction is explained, and in the presence of another witness. The manager, before he takes the signature, brings in another witness, so that in no case can a customer say he has gone out and did not know what the charge is, what the loan is costing in dollars and cents. The maximum rate per cent is definitely marked in the note. When we say that rate is charged, the cost of this loan does not exceed $2\frac{1}{2}$ per cent per month. That is in accordance with the terms of the Loan Companies Act. We are not obliged to put that in the notes, but we do. We will go this far, to say that we believe that the cost of the loan should, if necessary, be expressed in such shocking terms that the borrower will be shocked out of borrowing—if necessary; that he shall only borrow for some real emergency. That is about all we can do. We explain the transaction and let him know what that loan is costing him. If other services are available and he can borrow money more cheaply or under terms that suit his convenience better, he is a free man and has a right to go there, and it may be economically—

Q. Would you please come to the point of making this loan of \$300 that I suggested?—A. Well, I think that just about completes the transaction; what I mean, he is given the money and has signed the papers.

[Mr. Arthur P. Reid.]

Q. You ask the individual to sign a note or a series of notes?—A. No; one note calling for instalment payments.

Q. One note calling for instalment payments?—A. Yes.

Q. And sign a chattel mortgage as security, whatever it may be?—A. Yes, that is right.

Q. That note that he signs, if it is a loan for \$300, will be for the full amount of \$300?—A. That is our present system, yes.

Q. Then you will hand him the cash to what amount?—A. Roughly, \$37 will be taken off that, \$263; \$267. \$34 off—\$266. That is our present system. We get away from this discount system under this new plan.

Q. He has got a year to pay that at \$25 a month?—A. Yes.

Q. Suppose he comes in in a month or two and pays it all off. What do you do then?—A. We accept the payment and under the present plan—the present plan, Mr. Stevens, permits of something we are trying to cure in this new bill on that per cent per month rate. It permits a bonus of three months interest on prepayment. You will recall under our charter powers, the cost of that loan is built up under 7 per cent interest, discount and service charges of 2 per cent and a special chattel mortgage fee. There is provision made in there whereby we will take payment in advance and require the borrower to pay and rebate to the borrower 7 per cent interest unearned less bonus of three months.

Q. Well, your charter says this, that you may "lend money secured by assignment of choses-in-action, chattel mortgages or such other evidence of indebtedness as the company may require, and may charge interest thereon at the rate of not more than 7 per cent per annum and may deduct such interest in advance and provide for repayment in weekly, monthly, or other uniform payments: Provided that the borrower shall have the right to repay the loan at any time before the due date and, on such repayment being made, to receive a refund of such portion of the interest paid in advance as has not been earned, except a sum equal to the interest for three months."—A. That, as I say, is what the act permits. That is not our policy.

Q. It is not what the act permits. It is what the act says you shall do.—A. If we want to be more charitable to our borrowers, surely nobody is going to complain.

Q. But are you always more charitable?—A. We are trying to do what we think is fair. We are trying to be equable, not charitable.

Q. Well, I have got a case here, a loan made by your corporation of \$300 and it was repaid in full and was marked on the book in two months, at the end of two months. The loan was made on April 15.—A. What year?

Q. 1934.—A. 1934? Our policy has been changed completely since then.

Q. This is an actual case. This is one of your books.—A. Even that was within the terms of this act.

Q. The law was the same.—A. I say we have changed our policy.

Q. I am not concerned with your policy. I am concerned about the law.—A. Quite so.

Q. This was in 1934, and the law that set the rate was passed in 1929. The man paid \$25 in the first month. On May 15 it is stamped paid; and then on June 14th he came in and paid the whole loan. The law says that you shall refund such portion of the interest paid in advance. There was a deduction in this case, so I am informed, of about \$50. I have not got the actual figures here.—A. What was the size of the loan?

Q. \$300.—A. No, it could not be.

Q. Well, I am not in any position to say.—A. \$37 would be the maximum of deduction.

Q. \$37?—A. Yes.

Q. Well, there was a deduction, anyway. Then when he paid this loan up, you show on the slip, principal of \$260.56; interest, \$14.44; total, \$275.

So that it would appear as if—you can probably explain this—you had charged this man interest instead of rebating interest?—A. I do not think so.

Q. I am just asking you to explain it?—A. Yes.

Q. Because it is there shown (indicating to witness) added to the principal sum.—A. Mr. Stevens, it is pretty difficult to explain that from this book. I would want to examine the records. I would be glad to give you the records later.

Mr. CLEAVER: Do I understand you correctly, Mr. Stevens, that the total amount paid on principal before the final payment was only \$25?

Hon. Mr. STEVENS: It would appear that way.

Mr. CLEAVER: Then there was obviously more than \$260 owing if the note was \$300.

The WITNESS: Yes. He only made a \$25 payment. Therefore the difference between \$300 and \$25 would be \$275, whichever way you arrive at it.

By Hon. Mr. Stevens:

Q. All of the charges in the borrowing charges, known as the aggregate charges, were included and charged this man although he only had the money for two months. That is correct, is it not?—A. No. Less—I would say he got a rebate back of \$14.14.

Q. That \$14.14 is not deducted; it is added.—A. If you will look over my shoulder I think you will see where I mean. He made a payment of \$25.

Q. Yes.—A. Reducing his balance to \$275, which he pays now.

Q. Yes.—A. But he only gives him cash of \$260.56; the difference between \$275 and the \$260.56 which he paid in cash was his rebate of \$14.14. But all he paid was \$275.

Q. Yes, he paid \$275.—A. Less the rebate.

Q. My instructions are he paid you \$275, which would show that he got no rebate at all.—A. I would strenuously deny that, because I know that is so contrary to our policy. That booklet is for recording past due interest, and it is apparent there was no delinquency there.

Q. There was no delinquency.

Mr. CLEAVER: Might I ask, for the purposes of the record, that that book be marked as an exhibit?

The WITNESS: Yes. I would like very much to have an opportunity to provide you gentlemen with the actual information.

Mr. FINLAYSON: Was it an Ottawa loan?

The WITNESS: Yes. I can very readily get the information for you.

By Hon. Mr. Stevens:

Q. I used this merely to try to get at your methods.—A. Yes.

Q. And it does not disclose—here is the point I am making—that you observed the terms of your charter where it says you shall give him a refund?—A. I think you will find that that \$14 would perhaps represent—if he had had the loan two months, he would only become eligible for a rebate of seven months—seven-twelfths, not of \$37 but of \$21 that he originally paid. Seven-twelfths of the \$21 I think would come pretty close to that \$14, would it not?

Mr. LAWSON: Yes, it would.

The CHAIRMAN: Mr. Stevens, Mr. Cleaver has asked if that document could be marked as an exhibit.

Hon. Mr. STEVENS: Well, I will tell you—

The WITNESS: If anything, it would be less than \$14.

Mr. FINLAYSON: Yes.

[Mr. Arthur P. Reid.]

THE WITNESS: Seven-twelfths of \$21 is \$147 divided by 12, so it is \$12.25. So if we give him \$14, perhaps we erred on the wrong side and gave him too much. I would like to explain here that that is exactly why Mr. Finlayson has asked us to come before parliament and have this act amended, because of these various ambiguities, and because of the fact that the borrower does not know from month to month exactly what it is going to cost, and there are certain inequitable features which arise in a discount plan like that, with a bonus of the interest or rather with a ridiculous rebate clause. We object to it, and we have changed our policy to make our operations more equitable. Even although we are perfectly entitled, we think, to figure rebates on this basis, our method of doing that now is this, that we figure interest at $2\frac{1}{2}$ per cent; that is the total cost of the loan. We take it on that \$300 loan and we deduct \$34—\$33 now instead of \$34. We reduced our charges there; and instead of collecting or charging the full \$10 fee that would be permissible—

MR. FINLAYSON: You mean to say instead of \$37.

THE WITNESS: \$34 instead of \$37. That is right. We are only charging a maximum of \$7 fee. Out of that \$34 we rebate to the customer when he pre-pays, everything in excess of interest calculated at $2\frac{1}{2}$ per cent for the actual days and for the actual money he has had the use of. In other words, if he comes back to-morrow after getting the loan to-day, we charge him one day's interest on the actual cash that he had, \$266 at the rate of $2\frac{1}{2}$ per cent a month; and we give him back over and above that what is held back as discount.

By Hon. Mr. Stevens:

Q. Do you mean to tell me that in this case, for instance, you rebated to the man the charges?—A. Not at all. I say that was in 1934. We have changed our policy.

Q. When did you change your policy?—A. We have made certain changes. We made some last September, and we made some in December, the 1st of December. We are trying to get this thing to conform to Mr. Finlayson's desire as closely as we can.

MR. WALKER: Mr. Finlayson did not ask you to do that.

THE WITNESS: No, Mr. Finlayson did not ask us to do that. It is a matter of equity. Do not misunderstand me. I do not assume in this thing to put a halo around my head or to be pure—righteous or philanthropic. We consider it is common-sense business practice to be fair with our customers. At the same time we expect to make a little money. We are not in business for anything except that.

MR. FINLAYSON: Perhaps I should explain for Mr. Stevens' information, that that $2\frac{1}{2}$ per cent clause we have been talking about came into force just a month after this transaction took place. There was no suggestion of $2\frac{1}{2}$ per cent at the time this loan was repaid. The $2\frac{1}{2}$ per cent came into force later.

MR. MARTIN: What loan are you referring to now?

MR. FINLAYSON: This particular loan; the $2\frac{1}{2}$ per cent amendment came into force on July 3, 1934.

THE WITNESS: I would like to explain that in the present set-up which we are trying to change now, we would be entitled to charge for a loan of \$100 paid off at the end of three months—we would be entitled to collect \$8.15 as the cost for that service; and that with this 2 per cent flat rate we are seeking now by way of his amendment, that cost would be reduced to \$3.98. So by killing this amendment, you are simply saying to us, "Charge \$8.15 instead of \$3.98 for that loan."

By Hon. Mr. Stevens:

Q. We will take your amendment when we come to it.—A. I think it is very important at this time when you are considering information on a certain loan.

Mr. MARTIN: I think we should decide about this document. There might be certain conclusions drawn from this particular transaction, and I do think that unless there is some exceptional reason to the contrary, this particular document should be put in as an exhibit.

The WITNESS: Yes.

Mr. LAWSON: It has to be, once it is introduced in evidence. There is no contest about that, is there?

Hon. Mr. STEVENS: Well, it is not a court, my dear friend.

The WITNESS: No; but I think Mr. Stevens, that that ought to be put in.

Hon. Mr. STEVENS: I am not objecting.

The WITNESS: To give us an opportunity.

Hon. Mr. STEVENS: But I am objecting to the suggestion that we have got to follow court rules in committees of parliament, which we fortunately do not have to do.

Mr. LAWSON: I say unfortunately.

Mr. CLEAVER: We should not introduce any material into this discussion or into this evidence that we are not prepared to put on the table.

Hon. Mr. STEVENS: My dear friend is getting excited. I have not refused to put it on the table. What I say—

Mr. CLEAVER: You are a long time doing it.

Hon. Mr. STEVENS: Mr. Chairman, I do think these interruptions might be avoided, because there are always retorts to that kind of remark, Mr. Cleaver; other people can be smart just as well as you can. I was going to suggest to the committee, Mr. Chairman, that this is a loan that was made to a private individual, and while I have his consent to disclose his name if necessary, naturally he does not want to be the one individual who will be pitted up against a great corporation, and I do not blame him for that. I would prefer not to disclose his name. But as for filing this as an exhibit for the company to see it, I have no objection at all. My reason for introducing it—I think Mr. Reid will recognize that I have not accused him of anything at all—

The WITNESS: Oh, no.

Hon. Mr. STEVENS: I have simply asked him to explain a typical case.

The WITNESS: I have tried to satisfy you.

Hon. Mr. STEVENS: I think Mr. Reid has made a very fine explanation, and I am not complaining.

The WITNESS: I would be very happy to present to the committee all the details relative to it

Hon. Mr. STEVENS: I do not see any reason for these impertinent interruptions.

Mr. MARTIN: I was not suggesting anything. I do not think the name should be made public.

Hon. Mr. STEVENS: I do not think so either.

Mr. CLEAVER: Mr. Chairman, I rise to a point of order. I submit with deference to the Chair that it is not an impertinent interruption to ask that a document which has been produced to a witness and on which he has been cross-examined be marked as an exhibit in the regular way. I resent Mr. Stevens' accusation of impertinence.

[Mr. Arthur P. Reid.]

The CHAIRMAN: Well, gentlemen, the document is now in the hands of the secretary of the committee.

Mr. LAWSON: Mr. Chairman, might I suggest that it be marked as an exhibit, and that you as chairman direct that it be not printed in the record of the proceedings.

The CHAIRMAN: Is that the pleasure of the committee?

Some Hon. MEMBERS: Carried.

By Hon. Mr. Stevens:

Q. Now, Mr. Reid, I do not wish to detain you longer than to go back to the original point in this, namely, the change of the name to the Household Finance Corporation. Your business would not be interfered with or hampered or harassed in any way were this change of name not to be made for say another year?—A. No, that is quite true, Mr. Stevens. The only reason we are asking for it now is because our act is open for amendment. We have considered having the name changed for several years, and we have to go to the expense of seeking this amendment; it is hardly fair to ask us to come back again and do that.

Q. There are sometimes other reasons which unfortunately must override private wishes.—A. It is part of the cost of doing business. The borrowers have to pay for it.

Q. In the second place, the statement that you have made or agreed to in the examination this morning indicates that you have had no difficulty in getting capital from the parent company and handling it in the way that you have quite successfully and very efficiently; there is no difficulty in that respect?—A. If you had a child, Mr. Stevens—let me put this question to you—you would spend some money on him trying to bring him up, would you not? Well, that is exactly what Household has been doing with this company. They adopted a baby and are trying to bring it up to maturity.

Q. They are trying to wean it now?—A. Not at all. In fact, far from weaning it, they are just coming a little closer to it.

Q. Suppose you nurse it for one year more; that would not seriously interfere with your business.—A. No. We are not suggesting that it would. But we believe that this is an opportune time to seek this particular amendment.

The CHAIRMAN: Mr. Cleaver, did you have some questions?

Mr. CLEAVER: No questions on section 1.

Mr. DUFFUS: Mr. Chairman, I would like to ask Mr. Reid a question. When the borrower obtains his \$300 and it is for the purpose of liquidating a series of debts, do you see to it that that money is applied in payment of those debts, or do you leave it to the customer to use his own judgment?

The WITNESS: The answer there would be yes and no. We have to use discretion, take each case on its merits.

Mr. DUFFUS: If you had a suspicion, you would see that these debts are paid?

The WITNESS: Yes, if we thought it was right to do that, if we thought there was an element of doubt. But, after all, when you are loaning money to people, you have got to take their word for some things. You are trusting them with your money, and you have got to take their word for some things just as I am asking you gentlemen to take my word for some of the things I am saying here.

By Mr. Tucker:

Q. You made a statement about if this bill were killed and so on, the rate would be very much higher. I just wish to ask you to tell the committee—A. Pardon me; I do not think that is quite right. I did not say the rate would be higher.

Q. Well, the record will show?—A. No, I did not say the rate would be higher, Mr. Tucker. I said we would be legally justified in charging this borrower for a \$100 loan for three months \$8.15 instead of \$3.98 which he would pay on the new 2 per cent rate. That is a different story. I am not saying that we are going to charge it, but we could if we wanted to.

Q. Then what I want to ask you is this: I understood in answer to Mr. Stevens you said that from \$300 you would deduct first of all 7 per cent in regard to the interest?—A. Yes.

Q. Then you would deduct \$6 in regard to the service charges.

Hon. Mr. STEVENS: \$21.

The WITNESS: \$21; 7 per cent.

By Mr. Tucker:

Q. \$21?—A. Yes.

Q. And \$6 in regard to service charges and \$10 in regard to drawing the mortgage?—A. Our policy now is to deduct \$7 as a maximum, not \$10. We could—we have a right to deduct \$10 if we want to.

Q. Then \$7 is your charge; that would add up to \$34?—A. Yes.

Q. And then registration charges on the mortgage?—A. We have never made any registration charge. We have a right to do that, but we are not doing it.

Q. Do you register the mortgage?—A. Where we feel like registering it, yes.

Q. Do you make a practice of registering the mortgage?—A. It all depends. We do not make a practice of doing anything. We use our own discretion.

Q. You must have a certain practice; you have thousands of loans out?—A. Yes. We have thousands of different types of individuals, too.

Q. What is that?—A. We have thousands of different types of individuals. Where we do not register the mortgage, we take the added risk.

Q. How many loans did you have out, last year?—A. Did we have out or did we make?

Q. How many loans did you make last year?—A. That is different.

Q. How many loans did you make?—A. 37,000.

Q. All right. How many of those did you register?—A. I cannot tell you.

Q. You have no idea?—A. No.

Q. It might have been 100, 200, 1,000 or—A. Oh, well—

By Mr. Martin:

Q. Have you any idea of the percentage?—A. I can guess at it.

By Mr. Tucker:

Q. You are giving evidence under oath?—A. From an operating standpoint—

Q. Are you not the manager of the company?—A. Yes.

Q. And you came here to give evidence before this committee?—A. Yes.

Q. And the best you can do in regard to evidence like this is to guess?

Mr. MARTIN: Oh, be fair.

The CHAIRMAN: Please be fair with the witness.

Mr. LAWSON: If I asked you right off the bat to state the principle involved in the Shelly case, could you give it to me?

Mr. TUCKER: Yes.

Mr. LAWSON: Could you give me the rule in regard to perpetuity?

The WITNESS: From an operating standpoint, that is not pertinent to me.

Mr. TUCKER: You can examine me in law after I get through, Mr. Lawson.

Mr. LAWSON: Be fair to the witness.

[Mr. Arthur P. Reid.]

By Mr. Tucker:

Q. All right. Give us your estimate?—A. Yes, I can guess, and I will say 10 per cent.

Q. Ten per cent?—A. Yes.

Q. You say in those 10 per cent you did not charge registration charges?—A. Quite so.

Q. And you limit them to \$7 in all cases?—A. I beg your pardon?

By Mr. Martin:

Q. In any case do you charge for registration?—A. In no case.

By Mr. Tucker:

Q. And in no case do you get these mortgages drawn outside of your office?—A. Yes, that is right.

Q. So that \$7 you charged simply is extra remuneration from the loan?—

A. Just a minute. We do not collect \$7 on every loan. That is the maximum.

Q. I am speaking about the \$300 loan.—A. I know. But that is hardly fair. One loan has to carry some of the burden of the other.

Q. The \$300 loan I am asking you about where you have the chattel mortgage drawn— —A. Yes.

Q. —the actual disbursement; nine times out of ten then you actually deduct \$34 of which nothing is disbursed?—A. Not at all. I do not agree with that at all. The whole \$7 is disbursed.

Q. Who do you disburse that to?—A. We have offices. We are doing a chattel mortgage loan business.

Q. Your ordinary clerical staff?—A. Yes; and they make these valuations I have just explained to you.

Q. What I am getting at— —A. I want to answer that question.

Q. All right, go ahead.—A. I have just explained to you that in some of these cities—and in fact every place where we are operating, we will go within a forty mile radius and visit these homes. That costs money.

Q. Yes?—A. That is all taken care of. That \$7 fee is not for drawing the chattel mortgage. It is for expenses incurred connected with the loan.

Q. All right.—A. It is not chattel mortgage expense.

Q. We will come to your justification for charging that afterwards. What I want to get at— —A. Personally I cannot see what it has to do with it.

Q. It has a very great deal to do with it.

The CHAIRMAN: Just a minute, Mr. Tucker. Mr. Walker would like to ask a question.

Mr. WALKER: I would like to make this comment, Mr. Chairman. What Mr. Tucker is now embarking on is a most involved argument that has nothing to do with this matter. Mr. Finlayson and I have been arguing over it for about a year. He has an opinion from the Justice Department. It is exceedingly complicated. I have no wish not to deal with any part of it, but it has not anything to do with section 1. My submission is that if we embarked on it, we are just making it very difficult to attack this in an orderly manner. Mr. Finlayson has already addressed the committee on this particular problem. He has made reference to the fact that he has an opinion from the Justice Department; and so far as I can see, Mr. Tucker is endeavouring to drive this witness into a legal quibble over what is or what is not within the meaning of that exceedingly complicated subsection.

Mr. TUCKER: I wonder if it is a legal quibble. It is the whole point of this bill.

Mr. MARTIN: We do not admit that.

Mr. TUCKER: We have a decision of the court here that they are not entitled to charge more than 7 per cent interest.

Mr. WALKER: We have no such decision.

Mr. TUCKER: In *Kellie versus Industrial Loan Company*, a decision under a similar act, it was stated they were only entitled to charge 7 per cent interest. I want to know whether this company has been obeying the law or whether it has not. If it has not been obeying the law in the past, it is not entitled to come to this parliament and get anything. If I am not in order, Mr. Chairman, I will sit down. But I do submit that I am in order, and I want to know if these people have been obeying the charter under which they have been acting up till now.

Mr. MARTIN: All right.

The CHAIRMAN: Mr. Reid might like to explain.

Mr. MARTIN: Surely Mr. Reid is not the proper man to give the answer. Mr. Finlayson is the man.

The CHAIRMAN: All right. Let Mr. Finlayson give it.

Mr. TUCKER: Mr. Chairman, I want to get the practice of this company. How can Mr. Finlayson swear to what this company does. When I wanted to ask Mr. Finlayson this morning I was told to ask Mr. Reid. And now when I want to get the facts from Mr. Reid, I am told it is Mr. Finlayson. I would suggest, Mr. Chairman, that I be permitted to get the facts from Mr. Reid, and then Mr. Finlayson can give his opinion whether it is legal or not.

Mr. FINLAYSON: Could I speak for just a minute?

Mr. LAWSON: Go ahead.

Mr. FINLAYSON: I made one correction in my statement on Thursday this morning. I was asked, as I recall it—I have not seen the minutes of Thursday's meeting—by some member of the committee if there had been decisions. I said there was no decision that I knew of affecting the Central Finance Corporation. I was asked if there were decisions affecting other companies, and I said I thought there were two or more affecting the Industrial Loan. Someone asked me if I could give the reference to them. The only one I had in mind at that time that was reported was the one that Mr. Tucker has now referred to. I had in my mind then, but I could not give the reference, another case in the Quebec Superior Court a month or two after the case he has referred to. I find this case now, the 29th January, 1937—

Mr. LAWSON: Is that reported?

Mr. FINLAYSON: I have not seen the report of it. That is why I could not give it. It is the *Industrial Loan and Finance Corporation versus Jackson*, involving the very same points that arise in the *Kellie* case, and completely reversing the *Kellie* decision.

Mr. TUCKER: Was that a court of concurrent jurisdiction or appeal?

Mr. FINLAYSON: This is the Quebec Superior Court. This is not an appeal from the *Kellie* case. It is another case, but it involves the same question.

Mr. LAWSON: What court does the *Kellie* case come up in?

Mr. FINLAYSON: The Circuit Court in Montreal from which I understand there is no appeal.

Mr. JACOBS: There is no appeal from the Circuit Court.

Mr. LAWSON: It is similar to our Division Court.

Mr. FINLAYSON: I think it is an important judgment, because *Kellie versus Industrial Loan* has been reversed.

Mr. TUCKER: I think, if I might say so, that it would have been of assistance to this committee if we had known these different court decisions involving the *Industrial Loan and Finance Corporation*.

[Mr. Arthur P. Reid.]

Mr. FINLAYSON: The only reason I did not go into it was that we were dealing with the Central Finance.

Mr. TUCKER: Whether or not we are dealing with the Central Finance, it would have helped the committee a lot if we had known what the courts said about this. As I understand it, Mr. Finlayson, this case you have just referred to has not been appealed either.

Mr. FINLAYSON: You will have to get that from the Industrial Loan. I understood there was to be an appeal, but I cannot speak with certainty.

Mr. TUCKER: Are we to have the benefit of the opinion of the law officers of the Crown as to which court decision is correct?

Mr. FINLAYSON: I do not think the law officers of the Crown would express an opinion on that. It is before the courts, and the courts will have to follow it to a conclusion.

Mr. TUCKER: Do you not think that is another reason why we should not pass on a new principle until the courts have decided what the principle of the old act is? I would like to go into this thing, as to the actual practice of this company.

Mr. LAWSON: Can it not be done under section 3?

The CHAIRMAN: If you are going to confine yourself to the question.

Mr. TUCKER: As a matter of fact, this man has given evidence. Why should there be any objection to my cross-examining him on that evidence?

The CHAIRMAN: Not at all. Go ahead.

Mr. TUCKER: All right. Maybe I can proceed.

By Mr. Tucker:

Q. You say on a \$300 loan you deduct \$21 in respect of your 7 per cent interest charges?—A. That is right.

Q. And \$6 in regard to your service charges and \$7 in regard to drawing documents?—A. No.

Q. Just tell us what you do?—A. That is what I am trying to explain, but you would not listen to me.

Q. Go ahead and tell us.—A. We are charging \$7 for other expenses connected with that loan.

Q. I see.—A. And those other expenses include drawing that chattel mortgage, making the valuation and any other expenses connected with the loan.

Q. All right.—A. It says "any other." It does not say "connected with the chattel mortgage."

Q. Outside of your ordinary office expenses, your employees and so on, what amount of that \$34 do you actually disburse?—A. Of the \$34?

Q. Yes, that you deduct?—A. We are not called upon to explain disbursements in the interest we collect.

Q. Well, I am just asking you what you disburse from the whole amount that you deduct.

Mr. WALKER: I think I could shorten this, Mr. Chairman.

Mr. TUCKER: I think the witness had better answer the question without interruption from Mr. Walker.

Mr. WALKER: I will be perfectly frank with this committee, that we interpret disbursement as being payment made by the company to anyone.

Mr. TUCKER: You can interpret it as you see fit, but we have a right to have answers to our questions.

Mr. WALKER: Certainly.

Mr. TUCKER: I am trying to get the facts now.

Mr. WALKER: I am trying to shorten matters.

Mr. TUCKER: You will not shorten it a bit.

Hon. Mr. STEVENS: Mr. Walker has no right to interrupt when a member is asking questions.

Mr. CLEAVER: Speaking of rights, we are on section 1, and we let Mr. Stevens wander all over the lot. As a result, Mr. Tucker now contends that he has the right to cross-examine here.

Mr. TUCKER: We have a chairman, who has ruled that I can proceed. Presumably I can.

The CHAIRMAN: Proceed, Mr. Tucker.

By Mr. Tucker:

A. Can I have an answer to that question?—A. Would you repeat your question, please.

Q. Of the \$34 you deduct from the \$300, what do you actually disburse outside of your office; I mean, to people other than your employees?—A. Mr. Tucker, will you not concede this, that it is impossible in doing any business to say what you actually spent or what your expense is for any particular sale?

Q. I am not dealing with that.—A. I know; I can only answer in that way.

Q. Is there any disbursement?—A. Just a minute. We could not possibly set up such an elaborate system of book-keeping that would tell us what we spend on a loan made to No. 10, Mr. Brown, for \$300 and loan No. 26 made to Jones for \$200. It is the pro rata cost of doing the loan business, just the same as a man selling boots and shoes; he cannot definitely say what his expense was in connection with a certain sale, but he does know what his expense was per sale after considering all his sales.

Q. Yes, we will come to that in a minute. What I am coming to first of all is this, that none of this money is paid out; none of this \$34 is paid outside of your office for legal assistance or anything like that?—A. What do you mean by legal assistance or anything like that?

Q. Well, just for drawing the chattel mortgage?—A. Nothing for drawing the chattel mortgage, no.

A. In other words, you do not employ any outside assistance outside of your own employees?—A. You mean we do not pay this money over to lawyers, no.

Q. You do not pay to anybody else except your own employees?—A. We have a special staff for that purpose.

Q. For investigation?—A. Yes.

By the Chairman:

Q. And for drawing the mortgage?—A. And for drawing mortgages and for doing all these other duties connected with this business.

By Mr. Tucker:

Q. And they are your own employees?—A. They are, because in engaging in this business we hire people to do that work. If we engaged outside valuers and lawyers, we could not possibly provide that service for an average of \$4 or \$5 per loan.

Q. All right. You say last year your total charges for services and fees were how much?—A. Mr. Tucker, I may be out of order—I do not want to be presumptuous, but it seems to me that you are cross-examining me on evidence that I have not given. I do not think that is evidence I have given. I cannot see—as I say, I do not want to be presumptuous, but I cannot see the connection between it and the change of name of the company. I do not want to evade your question. I am very happy to give you any information I can.

[Mr. Arthur P. Reid.]

Q. I am interested to know if you have been breaking the law in the past or not. If you have been breaking the law in regard to the Act of Incorporation, you are not entitled to get one single section through this Parliament. That is what I am directing my question to. I am in the judgment of the committee in following up that argument, but that is the one I propose to proceed on. Any time I am told I cannot, I will sit down.—A. Mr. Tucker, may I say here that it is only fair to admit that Mr. Finlayson, the superintendent of insurance, has certified each year that we are within the law, and has recommended the renewal of our licence after making complete investigation.

Q. But Mr. Finlayson is a Government employee, and we are sent here by the people of Canada to see that these things are done right and to decide whether we will pass this or not. Mr. Finlayson cannot keep our consciences.

Mr. MARTIN: I do not want to interrupt Mr. Tucker.

Mr. TUCKER: I am sure you do not want to interrupt me. I would like to get through.

The CHAIRMAN: Mr. Martin.

Mr. MARTIN: That last statement of Mr. Tucker's is absolutely unfair to Mr. Finlayson. While Mr. Finlayson is not the keeper of our consciences, no member of this committee, unless he can establish that Mr. Finlayson has acted improperly, should make any reference which might be construed as perhaps my friend wishes it to be construed, that Mr. Finlayson has not discharged his responsibility properly. And I, as a member of this committee—

Mr. TUCKER: Nobody suggested that at all. I merely suggest that Mr. Finlayson may have his opinion as to whether they have been obeying the law or not, and we may have our opinion after reading the different court decisions. My own opinion is, and I will state it quite frankly, that by making these charges that you make, you are not adhering to your Act of Incorporation. But I want the facts so that the other members of the committee can judge it for themselves. I do not see why we should not have the facts.

Mr. MARTIN: Of course, we should have the facts.

Mr. TUCKER: Let us have them then.

Hon. Mr. STEVENS: You can ask him the amount of the fees. It is all here.

Mr. TUCKER: Yes. I did not get a statement for 1935.

Hon. Mr. STEVENS: For 1936.

By Mr. Tucker:

Q. In regard to fees, service charges, first of all we have \$125,263.79. Is that correct?—A. That is correct.

Mr. LAWSON: What was the amount?

Mr. TUCKER: The amount for service charges, \$125,263.79.

By Mr. Tucker:

Q. Your average amount outstanding during the year 1936—your average loan outstanding or the average amount of the loans that you made during that period was how much?—A. The average amount of the loans that were made?

Q. Yes, during that period.

Mr. McPHEE: The amount of money?

The CHAIRMAN: You mean the total or the average?

Hon. Mr. STEVENS: The average.

By Mr. Tucker:

Q. The average amount of the total of the loans you made during that period. First of all, what is the total loans you made during that period?—A. \$6,300,000 or something like that.

Q. The total loans you made in 1936.

Mr. FINLAYSON: Six and a quarter million.

The WITNESS: About six and a quarter million dollars.

By Mr. Tucker:

Q. I want the exact amount.—A. \$6,269,586.

Q. What is that again?—A. \$6,269,586.

By Mr. Lawson:

Q. What is the number of your loans, while you are at it?—A. 37,071, an average of \$169.

By Mr. Tucker:

Q. The amount which you charged in respect of fees was \$227,695.42, was it not?—A. Yes.

Q. You have a right, as I understand, Mr. Reid, in your Act of Incorporation, to make charges under three different heads—first of all, 7 per cent interest?—A. Yes.

Q. Then you have a right under your Act of Incorporation to "charge in addition to interest as aforesaid, for all expenses which have been necessarily and in good faith incurred by the company in making a loan authorized by the next preceding sub-paragraph: Including all expenses for inquiry and investigation into the character and circumstances of the borrower, his endorers, co-makers or sureties, for taxes, correspondence and professional advice, and for all necessary documents and papers, 2 per cent upon the principal sum loaned." The item of \$125,263.79 would have reference to what I have just read.—A. Yes, approximately 2 per cent on six million odd. Two per cent on six million is, roughly, \$125,000.

Q. Then you have the right in addition, "notwithstanding anything in the next two preceding sub-paragraphs (i) and (ii), the companies shall, when a loan authorized by the said sub-paragraph (1) has been made on the security of a chattel mortgage, or of subrogation of taxes, be entitled to charge an additional sum equal to the legal and other actual expenses disbursed by the company in connection with such loan but not exceeding the sum of ten dollars."

The CHAIRMAN: What are you reading from?

Mr. TUCKER: I am reading from the decision in the Kellie case.

The WITNESS: That is the Industrial Loan that you are dealing with there.

Mr. TUCKER: I will read from the act, then, if you want me to, Mr. Chairman.

Notwithstanding anything in the next two preceding sub-paragraphs (i) and (ii) the companies shall, when a loan authorized by the said sub-paragraph (i) has been made on the security of a chattel mortgage, be entitled to charge an additional sum equal to the legal and other actual expenses disbursed by the company in connection with such loan but not exceeding the sum of ten dollars.

By Mr. Tucker:

Q. Your charge of \$227,695.42 is under that power, I take it?—A. Yes, that is right.

Q. And you claim that you have equal legal and other actual expenses disbursed by the company? You claim you have disbursed that sum of money in legal and other expenses in connection with these loans?—A. In connection with loans?

Q. The \$6,269,586?—A. In connection with loans; not in connection with chattel mortgages. That is quite a different thing.

[Mr. Arthur P. Reid.]

Q. It says, "in connection with— —A. With such loans.

Q. It says, in connection with the loans. Is not a chattel mortgage in connection with a loan?—A. Yes, but that is only one of the expenses.

Q. I see. You charged that \$227,695.42 under that heading?—A. Yes.

Q. That you claim is disbursed by your company?—A. Quite.

Q. In connection with the loans?—A. Yes.

Q. All right. You take the loan that is repayable at the rate of \$25 a month. Do you admit, Mr. Reid, that you are only entitled to charge 7 per cent, with the exception of this provision for three months interest that does not have to be repaid?

Mr. LAWSON: Seven plus two plus two.

The WITNESS: Seven per cent discount.

Mr. MARTIN: There is a big difference.

By Mr. Tucker:

Q. I will put it to you this way. The act provides:—

Lend money secured by chattel mortgages or such other evidence of indebtedness as the company may require, and may charge interest thereon at the rate of not more than 7 per centum per annum and may deduct such interest in advance and provide for repayment in weekly, monthly or other uniform repayments: Provided that the borrower shall have the right to repay the loan at any time before the due date and, on such repayment being made, to receive a refund of such portion of the interest paid in advance as has not been earned, except a sum equal to the interest for three months.

That refers to the interest rate?—A. Yes.

Q. You are limited to 7 per cent interest, but you can charge in advance?—
A. Charge by way of discount.

Q. In advance or discount; it means the same?—A. Yes, it does. It is the same thing.

Q. I will just read that again: "Lend money secured by... chattel mortgages or such other evidence of indebtedness as the company may require, and may charge interest thereon at the rate of not more than 7 per centum per annum and may deduct such interest in advance." But they cannot charge more than 7 per cent.

The CHAIRMAN: That is discount.

Mr. LAWSON: Certainly it is.

By Mr. Tucker:

Q. All right. We will come to that in a minute. Now, you deduct your interest at the rate of 7 per centum per annum. That is right, is it not?—A. Yes.

Q. And then you provide for repayment of this loan of \$300 at the rate of \$25 a month for twelve months?—A. Yes.

Q. I suppose you have figured out what the effective rate of interest on that basis is, in regard only to the 7 per cent charge?—A. In regard only to what?

Q. In regard only to the 7 per cent item?—A. Oh, roughly, 14 per cent.

Q. So you admit, Mr. Reid—

Mr. LAWSON: Assuming the loan is for a year.

The CHAIRMAN: How are you using the word "interest"?

Mr. TUCKER: The way it is used in the act, the interest they are charging in addition to the rate they are charging.

The CHAIRMAN: There is a difference between the percentage of cost and the word "interest".

Mr. TUCKER: I am wanting to know the amount of interest they are charging on the money that the person has borrowed from them.

The WITNESS: That again is hypothetical. We deduct \$21. We do not charge him all unless he keeps the money for the whole time and makes his payment in twelve instalments.

By Mr. Tucker:

Q. We can take it that he keeps it for the whole time, and you say that the interest he is really paying under this heading, while you deduct interest in advance, is really about 14 per cent.—A. An effective rate of about 14 per cent.

Mr. MARTIN: What about the chairman's suggestion?

The CHAIRMAN: It is not interest.

Mr. TUCKER: After all, this witness is giving the evidence, not Mr. Martin.

Mr. MARTIN: We are entitled to the facts.

Mr. TUCKER: That is what I am trying to get.

Mr. MARTIN: You are not going to ask misleading questions as long as I am a member of the committee.

Mr. TUCKER: Is that fair? Have I asked misleading questions?

The CHAIRMAN: I think so, Mr. Tucker.

Mr. TUCKER: I am sorry.

The CHAIRMAN: Just a minute—in the sense in which you are using the word "interest." There is a difference between the percentage of cost and the percentage of interest. I wanted Mr. Reid to clearly make a distinction. I think you wanted Mr. Reid to make a distinction between interest and other costs.

Mr. TUCKER: I am using the word "interest" in the way in which it is used in the statute. It says, "At the rate of not more than 7 per centum per annum."

The CHAIRMAN: Yes.

Mr. TUCKER: He can deduct in advance, but the rate is not to be more than 7 per centum per annum.

The CHAIRMAN: The rate of interest.

Mr. TUCKER: Yes. They may deduct it in advance, but the rate is to be restricted to 7 per cent.

The CHAIRMAN: Yes.

Mr. TUCKER: All right.

By Mr. Tucker:

Q. Now I asked you whether your rate of interest that you charge these borrowers with the provision for repayment in monthly instalments—is it not practically 14 per cent?

Mr. MARTIN: Not at all.

WITNESS: No.

Mr. MARTIN: That is the cost.

By Mr. Tucker:

Q. Is it not?—A. No.

Q. How much interest are you getting on the money that you have got loaned out?—A. How much interest are we getting?

Q. Yes?—A. The interest we get is the net yield on our employed assets.

[Mr. Arthur P. Reid.]

Q. I mean under that heading, what rate of interest are you collecting from these people you have got money loaned to? That is what I am asking you. What rate of interest are you collecting on the money you have got loaned out under that very heading?

The CHAIRMAN: Mr. Walker, do you wish to answer that?

Mr. WALKER: I only want to say this, "let this witness go on giving facts as long as he likes, but leave the legal argument to my friend and me. I am counsel for this company, not this witness."

Hon. Mr. STEVENS: This is not legal argument.

Mr. WALKER: As long as he sticks to facts, that is all right. But we are getting now into an argument as to what is interest and what is the interpretation of this section. Go on asking him facts, but let us stick to facts.

Mr. TUCKER: It is simply the rate of interest—what is the rate of interest that is charged?

Hon. Mr. STEVENS: Would Mr. Tucker permit me to interject. I think some members of the committee are probably labouring under a mistaken idea as to what Mr. Tucker is arguing. Let us put it this way. I am not saying that I can do it better than Mr. Tucker, but there is a little confusion.

The CHAIRMAN: Yes, there is.

Hon. Mr. STEVENS: Leave all charges out of the question altogether. Here is a loan of \$300 and it is repayable by \$25 a month in twelve payments. Obviously in the last six months, three months, one month, there is not much of the principal left, but the interest has been deducted in advance. The \$21 has been paid. The full amount of \$300 is not outstanding only for approximately—I have not figured it exactly—half the year. Therefore, Mr. Reid is perfectly right in saying that the effective rate of interest on the money retained in the possession of the borrower, taking it through the whole year, is 14 per cent.

By Mr. Tucker:

Q. Is that correct?—A. Yes.

Q. The effective rate of interest on the money in the hands of the borrower.—A. That is about as accurate as you can get it.

Q. —is about 14 per cent.—A. There are many mathematical formulae. I can show you books on this business that will establish that some of the best actuaries will arrive at a different rate. It is approximately that. There are various ways of figuring it. Some will figure more and some will figure less. That is why we want to get this down to a flat expression of per month interest.

Q. You want to charge two per cent a month now?—A. Including all these other charges.

Q. And you want to charge that by way of interest and everything else?—A. No.

Q. Interest and everything else?—A. We are charging 2 per cent.

Mr. LAWSON: He wants to charge that by way of interest, to include everything.

Mr. TUCKER: All right. If this man has borrowed \$200—

Mr. LAWSON: I think loose language is responsible for a lot of our trouble.

Mr. TUCKER: Yes, I know I used loose language.

Mr. LAWSON: Excuse me, I am not making any reference to you. I am just talking generally.

Hon. Mr. STEVENS: He was just thinking out loud.

By Mr. Tucker:

Q. This man borrows \$300, and has this deduction of \$34 taken off. He repay \$25 a month each month as he promises to do. When he has paid the

last \$25 at the end of twelve months, he does not get any refund from you of interest or anything like that?—A. No.

Q. So that in effect he has paid under heading one of interest an effective rate of 14 per cent. He has paid in all cases two per cent under heading two and he has paid—A. Just a minute; not 2 per cent per annum.

Q. No, that amounts to more than 2 per cent. That amounts to about 4 per cent.—A. No.

Q. It is deducted in advance, of course.—A. Oh, yes. I see what you mean, figuring that way.

Q. So the effective rate he has paid there is more than two per cent; it is about 4 per cent?—A. Yes.

Q. And then in addition to that, under the charge of cost to the borrower and that sort of thing, under the third heading, you charged him \$7, and he gets none of that back?—A. I have just explained to Mr. Stevens that he does under our plan. Yes, he does get it back.

Q. Well, at the end?—A. Not at the end of the contract, I am sorry.

Q. That is what I am dealing with.—A. Quite right.

Q. At the end of the contract he does not. That is all we are dealing with. And most people do not pay ahead of time?—A. Oh, some people meet new emergencies and come in and perhaps pay us off ahead of time and take advantage of one of these credit union schemes of cheap money or they may go to the bank of Commerce and borrow at from 12 to 14 per cent. They have the privilege of paying off ahead of time if they can save themselves money by going elsewhere.

Q. What is the average length of your loans?

Mr. WALKER: This is neither cross-examination nor—

The CHAIRMAN: Is that within clause 1 or section 1?

Mr. TUCKER: It has this to do with it! They were limited to loans for eighteen months, and they have renewed them right along. The idea of parliament, I think, was to limit them, so if under the heading of renewing them they have been going against the spirit of the act, I think we should know.

The WITNESS: Mr. Tucker, how can you curtail the life of a loan? If a borrower cannot pay, what are you going to do? Are you going to charge it off because he is bad pay to-day, or can you say to him, "I will let you pay next month or the next month."

By Mr. Tucker:

Q. I am asking what your experience has been in regard to the loans you have made; how long has the average loan been?—A. I could not tell you. It is an operating statistic that does not concern us. We deal with each account on its merits, as to whether or not it will stay on our books or whether it will be liquidated. It is like the other question you asked. It is something that really does not affect me from an operating standpoint and I naturally do not—I could not conceive what was in your mind and what questions you were going to ask. I am sorry I cannot answer it.

Q. You did not know you were going to meet me?

Mr. LAWSON: That was a pleasure he had not anticipated.

By Mr. Tucker:

Q. What is the least length of time you make a loan for?—A. Twelve months.

Q. That is the least length of time?—A. Yes.

Q. And the longest time?—A. Twelve months.

Q. All your loans are made for twelve months?—A. Yes. If we made our loans for a shorter period than twelve months we would run up the cost

[Mr. Arthur P. Reid.]

considerably, because that chattel mortgage fee, the two per cent charge would be applicable to the face of the note. We do not do that. We could. There is nothing in the law to say we shall make our loans for twelve months.

Q. What were your total loans in 1935?

The CHAIRMAN: Mr. Tucker, it is one o'clock. Shall we meet at four o'clock this afternoon?

Some Hon. MEMBERS: Carried.

Mr. MARTIN: Yes, at four o'clock.

Mr. MCPHEE: Before we adjourn, Mr. Chairman, how can we finish even by meeting at 4 o'clock this afternoon?

The CHAIRMAN: I do not know.

Mr. MCPHEE: I was not present at the last meeting.

Mr. MARTIN: That is your fault.

Mr. MCPHEE: On this Section 1, I notice in the Minutes of Proceedings the following:—

Mr. McGeer arose to speak and continued at considerable length to give his views on the legislation before the committee.

There were many interruptions including some suggested motions, verbal and written, but as Mr. McGeer had the floor, all were more or less out of order. Mr. McGeer submitted a motion and several other members suggested motions and suggested amendments to Mr. McGeer's motion. After much discussion the following motion by Mr. McGeer, seconded by Mr. Tucker, was adopted—

The CHAIRMAN: Mr. McPhee, the members of the committee are leaving. It is one o'clock. I presume that we should adjourn.

Mr. MCPHEE: I am objecting to meeting at 4 o'clock because Mr. Forsyth was called to give evidence with regard to this section.

Mr. MARTIN: For Thursday.

Mr. MCPHEE: How can we finish?

The CHAIRMAN: It was the understanding that we would not delay until Mr. Forsyth came.

Mr. MCPHEE: That is not in the minutes.

The CHAIRMAN: Well, that was the understanding.

The committee adjourned at 1 p.m. to meet again at 4 p.m. this day.

AFTERNOON SESSION

The committee resumed at 4 o'clock.

The CHAIRMAN: Gentlemen, we appear to have a quorum now.

ARTHUR P. REID, resumes the stand.

By Mr. Tucker:

Q. Mr. Reid, have you the figures showing the average size of the loans which you made last year?—A. \$169, Mr. Tucker.

Q. That is based upon the figure of 37,071 loans?—A. Divided into the \$6,000,000 odd figure, yes.

Q. That comes to how much?—A. \$169.

Q. And the average amount collected under item 3 of your powers, that is the collection fee, disbursements in connection with the loans, legal disburse-

ments and otherwise, the average amount you collected on that was how much?—A. Well, now you are speaking of the fees.

Q. Under item 3 of your right to charge?—A. Yes.

Q. \$6.14?—A. Yes, that is practically what it would amount to, \$6 up, the average.

Q. You have the right, of course, to charge?—A. I would like to explain reductions that have been put into effect. The average taken on this year's operations would be considerably less than that amount.

Q. That is for 1936?—A. Yes, that is right, but the reductions put into effect cutting that from ten to seven—the roof was not applicable throughout the whole year.

Q. When did that come into force?—A. The 1st October.

Q. What was the average amount outstanding for the whole year, all loans outstanding?—A. You are speaking of the—

Q. The average amount of money that you had loaned out?—A. It would be the mean asset. These figures were provided by Mr. Finlayson.

Q. I would just like to have that, \$2,486,152.

Mr. FINLAYSON: That statement of mine was net assets.

Mr. WALKER: We do not agree exactly with that.

The WITNESS: That is according to Mr. Finlayson's method of figuring assets. If I were figuring that I think I would figure it slightly different. Where it is a matter of accounting practice, for instance, I would not deduct the reserve for bad debts from the accounts receivable. I would set the accounts receivable up on one side as an asset and set the reserves for bad debts on the other side as a liability. There would be a discrepancy in the manner in which I would figure the mean assets from that which Mr. Finlayson used.

By Mr. Tucker:

Q. The figure you have given is not the full amount which you had loaned out last year, but it is the amount you had loaned out less the reserves for bad debts?

Mr. FINLAYSON: And unearned income.

By Mr. Tucker:

Q. What was the total amount that you had loaned out last year on the average, the average amount on loan during the year?

Mr. MARTIN: What does that question mean? I should like to follow it. What do you mean?

Mr. TUCKER: The average amount.

Mr. DEACHMAN: Weekly or monthly?

Mr. MARTIN: Before you answer that question let us understand the question. There is no sense putting a question that we do not understand. I am dumb enough to say I do not know what in the world that question means.

Mr. TUCKER: The witness seems to know what is meant.

Mr. MARTIN: No.

The CHAIRMAN: Mr. Tucker is trying to shorten his examination, Mr. Martin.

Mr. MARTIN: I want to know what you are talking about.

Mr. TUCKER: The average amount they had loaned. It should be clear what it means.

Mr. MARTIN: You do not know yourself; that is the trouble.

Mr. TUCKER: I am not giving evidence.

The CHAIRMAN: Order.

[Mr. Arthur P. Reid.]

By Mr. Tucker:

Q. Have you got it?—A. Yes, Mr. Tucker; I will tell you.

Mr. MARTIN: Can you tell what Mr. Tucker means?

By Mr. Tucker:

Q. Mr. Reid will explain it.—A. I will answer the question the way I think Mr. Tucker means it. I will tell you how I am giving you these figures. I am taking our loans or instalment notes receivable, whatever you want to call them, as at the end of 1935. I am adding to that the same figures, the figures for the same amount as at the end of 1936, and I am averaging them. Now, that is as close as I can get it. In other words the mean assets for the year 1936 would be—that particular asset, the mean for that particular asset for 1936 would be the figures for the instalment notes receivable as at the end of 1935, \$2,138,514, to which is added the figures for instalment notes receivable at the end of 1936, \$3,115,033, and the average of these two figures is the mean of that amount, \$2,625,774.

Q. Now, then, these figures, Mr. Reid, would be after allowing for bad debts written off?—A. No.

Q. That is the gross figure?—A. No, that is the asset. Then, I set up the reserves which are put on the liability side. Then, that is the difference between Mr. Finlayson's figure, the mean assets for that particular time, and mine.

Q. There is one other thing I should like you to explain that I am not clear about. You have, I think, interest earned on promissory notes, service charges, and fees. You deduct these items in advance when you make a loan. These figures that you give in your financial statement, of course, are not items that you deduct in advance?—A. No.

Q. They are not the items you deduct in advance. Now, you do not collect for the bad loans?—A. No, not at all.

Q. I want you to explain how you arrive at these three items, interest earned on promissory notes, service charges and fees. How do you arrive at these items?—A. The method is one that has been approved by the income tax department; and the interest account and the fee account are considered; the discount collected by way of these two media is grouped on the one hand, the unearned interest account, and on the other one the unearned fees account, and then each month a portion of that is taken into earnings. The formula is this: we add the figures from 1 to 12, that is 78, and then we take into earnings $12/78$ ths, $11/78$ ths, down to $1/78$ th. In other words, I think you can appreciate that a greater portion of that interest is earned in the early months of the loan because the balances are larger, you see. That is to say on a \$300 loan, twelve multiples of 25, in the first month you earn $12/78$ ths of the \$21—you see what I mean. Then you earn $11/78$ ths, $10/78$ ths, $9/78$ ths until at the end of the twelve-month's period you have $78/78$ ths. The same process is used in handling the fees account.

Q. You say you get that until you have arrived at the full figure of $78/78$ ths?—A. That is right.

Q. It is on that basis you take into your earned interest the total amount of your deductions?—A. What is that again?

Q. What I am getting at—A. We do not take that into the interest; we take that into profit and loss.

Q. You do not get my point.—A. We only credit interest earned each month. Earned interest is in the earned interest account.

Q. How much do you allow for these items that I read?—A. Nothing allowed in there at all. You are conflicting revenue and expenses.

Q. We want to be sure about that. There are three items in here, interest, service charges and fees?—A. Is not this what you are getting at. Don't you want me to tell how we build up a reserve for bad debts?

Q. No; I want to know how these figures are built up. As I understand you now these figures represent the gross deductions when the loans are made?—A. Yes, gross deductions when the loans are made.

Q. Yes?—A. I just want to explain that only part of that goes into income. It is only taken into the earnings account each month as it is earned.

Q. What is the total amount of your deductions during the year; what is the amount of your losses that were taken into account, what is the interest, what are the service charges, and what does go to make up these figures given in that statement; in other words, the amount that has been deducted to allow for debts you will not collect? That is a fair enough question?—A. It may be to you, but I am not an actuary.

Q. Neither am I, but I want to understand this statement?—A. I cannot see just what you mean.

Q. You show here as income interest earned on promissory notes \$333,648.61?—A. Yes.

Q. Now then, in view of the fact that you deduct your interest ahead of time, how do you arrive at that figure?—A. Well, I just explained that. When we make a loan we put the \$21.00—that is 7 per cent of a \$300.00 loan, we put that into the unearned interest account.

Q. All right, what do you do next?—A. At the end of the first month we transfer into the interest account $1\frac{7}{8}$ ths of unearned interest from the unearned interest account and credit that to interest earned.

Q. And you keep on doing that until you use the entire $7\frac{7}{8}$ ths?—A. Yes.

Q. At the end of the time you would have transferred the full amount of \$21.00?—A. That does not mean that at the end of one year we have taken out everything which is in the unearned interest account, because new notes are being put in which date beyond the first of the year so that there would still be a balance in that unearned interest account.

Q. How do you allow for the fees that are not collected? What I am getting at as a matter of fact, and it must be of interest too, is this—A. I must admit that I do not understand that.

Q. The 2 per cent on your total loans amounts to what—it amounts to 2 per cent doesn't it?—A. It amounts to practically 2 per cent of the amount loaned.

Q. It amounts to practically the amount that you show there?—A. Yes. Well, the 2 per cent charge is not handled in that method. The income tax department would not permit our doing it in that way. That 2 per cent is taken into the earnings as the loan is made. That is the difference in these three accounts, that we cannot take it into account when the loan is made. We have to put it into our reserve.

Q. That item No. 2 in the charges that you are permitted to make is taken, earned, the moment you deduct it from a loan?—A. That is right.

Q. Does that apply to this?—A. No, I have just explained that is not the case.

Q. In regard to fees and things?—A. That is right. These amounts in the unearned income account are brought into earnings pro rata each month as the loan progresses.

Q. And it is therefore included in the amount that you figure you are earning if you are collecting three quarters of your loans during the year?—A. It is a formula worked out by the tax department.

Q. And is that correct; you bring it in according to the amount that you figure you are collecting on your loans?—A. No, the amount we estimate to be due on the loans.

Q. On the loans you are collecting, or the loans which you figure are collectable?—A. On the loans we figure are collectable, yes; but the whole thing is collectable, we hope.

[Mr. Arthur P. Reid.]

Q. But, you write off some. I do not understand it so I won't bother to pursue that point any further.

Hon. Mr. STEVENS: There is a reserve there, Mr. Tucker, out of which they adjust the unearned portion.

Mr. TUCKER: I was wanting to get that from the witness, but apparently I am not able to make that clear to him.

By Mr. Tucker:

Q. Now, your practice in regard to these service charges; that is item No. 2, the basis upon which you are permitted to charge this 2 per cent?—A. Yes.

Q. You charge that in all cases?—A. Oh, there may be some exceptions.

Q. Not maybe, but are there?—A. Yes. I would not say it is collected in all cases. In a majority of cases and as a general rule, yes. We have had cases where we have simply had to renew the loan at a reduced figure and take a loss on principal as well as our charge of 2 per cent.

Q. In the case of new loans it is always charged?—A. Yes.

Q. And item No. 3 in the items that you are permitted to charge is for disbursements; you charge that in all cases?—A. Well now, I would like to have that question qualified a little too. You say, item No. 3 which we are permitted to charge. We are permitted to charge the 7 per cent also.

Q. But the actual disbursements, do you charge for that in all cases and on all loans?—A. In regard to disbursements we charge that in all cases on new loans. You are referring to No. 3, item No. 3, now, and that is quite distinct from the 2 per cent servicing charge.

Q. Yes? A. Yes.

Q. That is, supposing you had a borrower as in the Kellie case, that you knew perfectly well that you would still charge him the 2 per cent for investigation, and you would still charge him a mortgage fee?—A. Mr. Tucker, you have never been in the business of lending money. I check up on my best friends. I would check up on my own brother or my own father if I were lending money to them.

Q. Even if you knew that he was worth the risk you would still go ahead, you would still go through the motions of investigating the risk?—A. We would have to take a chattel mortgage. Would you expect him to have less furniture in a year and a half—how could you know what his furniture was worth without seeing it. If you did not go and see the furniture you would not be able to identify it if need should arise in connection with a borrower that it should be identified.

Q. If you had the same man come along who has just paid off a loan and he asked you for a new loan would you still make these charges?—A. We would go through that process again. We would go to his home and check up on the stuff as it then was.

Q. Even if he had paid up his loan?—A. Absolutely. There might not be any necessity to make him another loan. The whole situation might have changed.

Q. You go through the whole thing again?—A. Absolutely.

Q. Even in face of the decision in the Kellie case after it came out which showed that you had to prove that these charges were bona fide?—A. Pardon me, the Kellie case did not have anything to do with us, we did not have to prove anything.

Q. You have read the Kellie case?—A. No, I have not read the Kellie case.

Q. But you were advised by your counsel as to its substance, were you not?—A. I heard about the case, yes; but I did not read it.

Q. And you were advised that in regard to items No. 2 and No. 3 that before you had a right to charge under the heading of either 2 or 3; that is, for the 2 per cent and the chattel mortgage fee; you would have to show that these expenses were necessarily and in good faith incurred?—A. I was not so advised.

Q. Well, is not that the attitude that Mr. Finlayson, the superintendent, took?—A. Personally I think Mr. Walker should be asked the question as to the advice he gave me.

Q. You were the one who gave the instructions to ask for this legislation?—A. I beg your pardon.

Q. Your board of directors gave instructions to your counsel to ask for this legislation. A lawyer does not instruct a board of directors, it is a board of directors which instructs a lawyer?—A. We have endeavoured to explain on every occasion why we are seeking this legislation. We are seeking it at the request of the Department of Finance.

Q. I would like to get that in evidence?—A. We are simply endeavouring to make an honest experiment of the type of legislation that Mr. Finlayson's department believes to be in the best interests of the public.

Q. You say that you have been asked by the Department of Finance to ask for this legislation?—A. Yes.

Q. Was that request made to you verbally or in writing?—A. I would say that I do not recall having received any letter to that effect, but it has been Mr. Finlayson's desire for many years that we seek this type of legislation. He told us that on two or three occasions.

Q. And you are asking us to believe that the legislation that you are asking for now, and the legislation which you were asked to ask for, is the legislation that you are now going to ask for?—A. The legislation which we were asked for is the legislation which we are now seeking.

Q. Which you are now seeking; are you seeking the bill as it was brought in, or the bill with the amendment?—A. We were not able to have this—

Q. You had to choose when you actually launched the proceedings, you had to decide what form you wanted that bill in?—A. Yes.

Q. And you launched it in the form of bill C?—A. Yes.

Q. And now you say you are going to ask for an amendment which changes bill C very substantially?—A. Yes.

Q. And you say that the Superintendent of Insurance asked you to ask for this legislation. Now, what I am wanting to know is this; did he ask you to ask for the legislation which appeared in bill C, or the legislation which appears in the amendment; in point of principle, which was he asking you to do?—A. Neither. He asked us to apply for an amendment to our bill calling for restatement of the charges and for a reduction to 2 per cent per month inclusive of everything.

Q. And you did not do that then?—A. No.

Q. You did not follow his requests?—A. No, that is quite right.

Q. When you say he asked you to ask for this legislation that is really correct?—A. I would say this, that in the general amendment we have asked to have our bill amended in such form that Mr. Finlayson now approves of it.

Q. Yes, but bill C—you asked for that to begin with: That is correct, is it?—A. Yes. I would like to tell you about it too.

Q. Yes, we would be glad to have further information on that?—A. We believed that we were entitled to a rate of 2·5 per cent per month. We believe that 2 per cent is too low for this business.

Q. Yes?—A. But we are now asking that our bill be amended in respect to the 2 per cent rate.

[Mr. Arthur P. Reid.]

Q. And under the decisions in the courts you are in this position, that before you can charge more than 7 per cent interest you have to show that such expenses and disbursements were necessarily and in good faith incurred?—A. Not at all, Mr. Tucker; that does not apply to us at all.

Q. That is not the case, Mr. Reid; I am giving you this from the page on which it appears in this book which I have in my hand?—A. I am not asking you anything about the decision of the court. I am telling you here that there have been no decisions of the courts relative to our company that does not really need a chattel mortgage.

Q. I am reading to you now from the statute concerned?—A. That does not relate to this company at all, as I have already told you.

Q. I point out to you Chapter 94 of the Revised Statutes of Canada, 1929, which amended your Act of Incorporation; that did amend your Act of Incorporation did it not?—A. Yes.

Q. And it says here; "(ii) charge, in addition to interest as aforesaid, for all expenses which have been necessarily and in good faith incurred by the company in making a loan authorized by the next preceding sub-paragraph—" and so on?—A. Yes.

Q. Now, you are bound by that?

Mr. WALKER: Might I be permitted to make a statement, Mr. Chairman?

The CHAIRMAN: The Chair recognizes Mr. Walker.

Mr. WALKER: May I state with regard to the decision in the Kellie case that we are not bound by it and I so advised my client. I said that I thought that it was one of the most ridiculous judgments I had ever read, that it was not binding on us, and for him to pay no attention to it, and he did not.

By Mr. Tucker:

Q. I am reading from the Act of Parliament, and I suggest that you must have considered yourself bound by the Act of Parliament which set you up, surely?—A. Naturally we consider ourselves bound by the Act of Parliament—true.

Q. So that you will admit that before you would have a right to charge more than 7 per cent interest you would have to show that these expenses were necessarily and in good faith incurred?—A. Yes.

Q. And you also knew, Mr. Reid, that when it set a rate of more than 7 per cent interest per annum—that is sub-section 1 to section 2 of chapter 94 of the Statutes of 1929—it says, "May charge interest thereon at the rate of not more than 7 per centum per annum"; you knew that there was a curb on you, to put it mildly, that you had no right to charge as you said recently to the borrower an interest rate in effect of 14 per cent?—A. I said nothing of the kind, Mr. Tucker. I appeared before parliament in 1928 when that legislation was enacted, and I recall that Mr. Finlayson was also there, and we explained these matters to the committees of both houses, and particularly to the Senate committee, just what that rate actually was and it was for that reason that we were empowered to do what we did. Surely, if we could charge 12 per cent as specified under the Money Lenders' Act we would not be likely to come to parliament for authority to charge 7 per cent when the Money Lenders' Act already on the statute books would enable us to charge 12 per cent.

Q. You read the Kellie case?—A. As I told you before, I am not interested in the Kellie case.

Mr. WALKER: I told you that in my opinion it was ridiculous, that it was one of the most ridiculous judgments I had ever read.

By Mr. Tucker:

Q. You have come to parliament to get the right to charge 2 per cent a month?—A. Not at all. Our coming to parliament has not been influenced by that. We appeared before the Senate committee last year asking for these other powers which we thought were necessary.

Q. Were you asking for that power last year?—A. No.

Q. You did not ask for the bill until after the Kellie decision was rendered?—A. Let me tell you my story about that. The select committee of the Senate was appointed as you perhaps recall for the purpose of considering a draft bill relative to general legislation for the regulation of this industry. We appeared before those hearings which lasted over a period of about three months, and throughout we argued in favour of a rate for the industry which we thought was necessary and desirable, a rate which we believed would attract capital into this industry, a rate of 2.5 per cent. Our argument was then and still is that you cannot club capital into going into the small loan business, you have to attract it; and we believed a rate of 2.5 per cent was both necessary and desirable, and would invite capital into the industry. And with that we wanted to get some form of governmental regulation. And the Senate very nearly supported that view.

Q. They did not actually act on that officially?—A. No, there was not time, but they did suggest the rate of 2½ per cent on the first \$300 of the loan.

Q. Can you tell us when your company decided to ask for this legislation?—A. The matter has been under consideration for some time.

Q. You must have actually come to a decision on the matter: I would like to know when you decided. This decision in the Kellie case is dated October 22, 1936.—A. During the summer we circulated a petition for the appointment of a Royal Commission to make inquiries in this matter—

Q. Yes, but suppose—A. Just a minute. Let me finish, please.

Q. All right.—A. When we saw that no action was being taken in the appointment of a Royal Commission we decided to come to parliament, realizing that the Industrial Loan and Finance were doing the same thing. We knew that if one bill came into parliament, the whole question was going to be discussed and we thought we should be there too, so here we are.

Q. You heard that Industrial Loan and Finance were interested in the Kellie case and were coming to parliament, and you decided you had better come too?—A. We heard that. But that was not the prime reason for coming.

Q. But that was one of the reasons?—A. Oh, no, no.

Q. You said yourself it was one of the reasons, that you heard they were coming?—A. Whether or not, Mr. Tucker, they came because of the Kellie case, I do not know, and I have no reason for knowing.

Q. But when you heard that they were coming, you decided to come too?—A. We knew that the whole question of legislation would be brought up.

Q. So you decided to come too?—A. Yes.

Q. When you heard they were coming?—A. Yes.

Q. Did not Mr. Finlayson bring it to your attention that there were grave doubts whether you had the right to charge in effect 14 per cent interest in view of the specific provision of the statute that you should charge not more than 7 per cent per annum?—A. No, sir. That has never been suggested.

Q. That has never been suggested?—A. No.

Q. The first you heard of it was the Kellie case?—A. Yes.

Q. And you are familiar with the Kellie case where it says—A. I am not familiar with the case. I know that there was a case, and I know it was in a junior court; and I know there was another case before the superior court and a different decision was given. That is all I know about it.

Q. But putting it then at the very lowest, you realized that there was doubt whether in view of the provisions of the statute you had the right to charge more

[Mr. Arthur P. Reid.]

than 7 per cent per annum?—A. Mr. Tucker, if all these bills were absolutely clear, and there was no reason for ambiguity, we would not even need lawyers.

Q. I see. It was wholly because there was the doubt that you came to get parliament to give you?—A. Not at all.

Mr. WALKER: Not that particular section.

The WITNESS: Not on that section.

By Mr. Tucker:

Q. There was doubt on the whole section as to the charges?—A. There are ambiguities, yes, that we want removed.

Q. Yes. So you decided that as you thought parliament had not made the thing clear, you would come and get the right to charge the rate set out in Bill C, 2½ per cent?—A. Yes.

Q. I see. And that would be the first time in Canadian legislation that definite permission had been given to any company to charge more than 12 per cent interest?—A. Not at all.

Q. Where was it given before that time?—A. We believed at the time, and still believe that it was the intention of parliament to give that permission under the legislation we now have.

Q. But you admit there is a doubt about that?—A. It is ambiguous. It is poorly drafted.

Q. So you wanted to have parliament make it absolutely clear that you could charge 2½ per cent interest per month?—A. Not interest, no.

Q. 2½ per cent?—A. Including interest and all other costs.

Q. Per month?—A. Yes.

Q. You wanted parliament to give you that right?—A. Yes.

Q. Because it was not clear you had it before?—A. There was ambiguity, yes.

Q. Yes. All right.—A. On the other hand, there was the indication that we had the right to charge more than that inasmuch as the Loan Companies Act in 1934 limited the rate to 2½ per cent.

Q. You did not want to go on taking the chance of infringing the law?—A. It was not a case of taking a chance of infringing the law. It was a pure matter of policy, that we recommended and approved that interest should be on flat terms.

Q. If there was doubt, you might get the same decision as in the Kellie case. A. No.

The CHAIRMAN: Do we have to go over all that again?

The WITNESS: We never had permission to express our charges on a flat rate per month.

Some Hon. MEMBERS: Carried.

Mr. DEACHMAN: I want to ask a question or two, Mr. Chairman.

The CHAIRMAN: All right.

By Mr. Deachman:

Q. Why do these people borrow? What do they borrow for?—A. These are figures, Mr. Deachman, based on the 1935 operations, which are reasonably representative of any one year in the business. Will that be useful to you?

Q. Yes.—A. 18·59 per cent of our borrowers—that is of our customers—borrowed to pay medical, dental and hospital bills; 8·96 per cent borrowed to consolidate sundry overdue bills; 7·36 per cent—I can give you these by numbers of accounts as well as percentages—

Q. Give me the percentages; that is what I want.—A. Yes. 7·36 borrowed to pay taxes.

Q. To save the discount?—A. Well, either to pay taxes or to prevent their being forced out of their homes for arrears of taxes or thinking they might be, or for other reasons—to pay taxes, in any case; 6·37 borrowed for fuel; 7·27, real estate mortgages and interest; 7·68, clothing; 2·60, insurance; 4·17, rent; 4·65, repairs; 4·42, furnishings; 3·93, automobiles. That does not necessarily mean to buy new cars. That might mean to take care of payments on cars that are bought or perhaps to pay up arrears on a conditional sales contract covering the original purchase of the car; they might have been behind in their payments and are borrowing to protect their automobiles from foreclosure. A few loans are made to help people buy automobiles for business purposes. 3·93, automobiles; 2·06, moving expenses; 1·24, food; 0·68, funeral expenses; 1·44, miscellaneous bills. In other words, we say that to meet unusual emergencies or to pay debts that have already been contracted accounted for 81·42 per cent of all our borrowings. Then we have this broken down, the other 18·58 per cent: Business needs, 6·18 per cent; travel and vacation, 5·18 per cent; education, 0·69 per cent; to assist relatives, 3·24 per cent; miscellaneous, 2·14 per cent. You might make that 3·29, because the other is for purposes not specified. Miscellaneous, 3·29 per cent.

Q. Mr. Reid, have you been a banker?—A. Yes, for nineteen years.

Q. When a man borrows at the bank, he is borrowing for productive purposes, is he not?—A. Ordinarily, yes; except for the odd case of a policy loan, which is made because he is well known.

Q. Where he is personally well known, a man may borrow?—A. Yes.

Q. But usually bank borrowing is for the purpose of business?—A. Yes.

Q. And for the production and movement of goods?—A. That is right.

Q. If you follow your list here, you are financing the consumer?—A. Quite so.

Q. So that the rate charged upon your loans is not comparable to a loan which is for productive purposes?—A. Absolutely.

Q. So your competition is not with the banker?—A. No, in no way.

Q. Your competition is with the instalment seller?—A. Well, hardly that either.

Q. Well, I put it to you this way—A. Well, they are hardly parallel. He is selling goods, and we are giving these people actual cash money.

Q. Yes, but what is money in this case? You are giving them money. But what is money—purchasing power?—A. Purchasing power, true.

Q. And what is purchasing power? It is call on goods?—A. Yes, that is right.

Q. So that what you are financing is financing the consumption of goods?—A. Yes.

Q. So your competition is with the store that is selling on an instalment basis, in reality; that is, the class of people who are loaning people goods. I put it to you this way—A. Yes.

Q. To see if I am not right.—A. Yes.

Q. The store is loaning me goods when I buy on the instalment plan. Instead of that, I borrow money from you which I repay on the instalment plan; does that not exactly compare?—A. Yes.

Q. Therefore, the rate chargeable by you will be comparable with the rate chargeable by the instalment seller of goods?—A. I would like to qualify it in this way, that the merchant selling goods on the instalment plan is in a somewhat favourable position as against us.

Q. I am not discussing that at the moment.—A. Because there is an element of profit involved in the sale of goods, and he may or may not absorb all or part of the financing charge.

Q. Exactly; but when a man loans money—I put this to you and you tell me if I am right; I am putting it somewhat didactically and you see if I am right—if he charges too much, we call it usury; that has been the common habit, has it not?—A. Yes.

[Mr. Arthur P. Reid.]

Q. If a man sells goods to be paid for on the instalment plan and he charges a very high profit upon the goods, what do we call that?—A. Good business.

Q. Exactly. That is precisely the definition I am coming to. The merchant who sells goods is selling you goods with a claim on them, is he not?—A. That is right.

Q. And he could recapture the goods, if I may use that phrase?—A. Yes.

Q. And they are relatively new goods?—A. Yes.

Q. You are loaning on the security of old goods, is that not so?—A. Absolutely. The furniture that we loan on has very little value except sentiment. We have frequently made loans of \$300 against furniture that, at an auction sale, would not bring us \$50.

Q. That is quite probable. So as far as the sellers of goods are concerned, their rates ought to be materially lower because the risk involved is not so great?—A. Quite so; particularly when you consider the element of profit.

Q. Profit is part of the charge for the deferred payment; but the point I am coming to is this, that in the comparison which we make with regard to interest rates, we cannot compare yours with the bank?—A. Oh, no.

Q. Because you are not competitors?—A. No.

Q. And in a comparison, we must make the comparison with instalment sellers, as for instance the implement companies, as they sell their products to the farmer, and in the sale of radios and that sort of stuff. That point is clear. There is one other thing in regard to which I want to ask you. Take your total earnings. Have you got those broken down for me? Here is your revenue account for 1936 which shows a total of \$706,000?—A. Yes.

Q. Now, I come to your expenditures and deducting the net profit from that item—you are balancing it there—I think \$534,000 is your net expenditures?—A. Yes, including interest on borrowed money.

Q. That includes interest on borrowed money?—A. Yes.

Q. So if you look at it that way, on that basis, your operating ratio—I am talking now as though this were in terms of a railroad—the expense per dollar earned is 75·6 per cent. Is that right? Did I figure that right?—A. Expense per dollar earned?

Q. Would be \$534,000 on an earning of \$706,000?—A. Yes; practically 75.

Q. 75·6. Do you happen to have a breakdown of those other items so that we could see where that is—give the information in the same way? I do not want to keep you—A. I am sorry, I have not it available in relation to income; that is to say, the percentage of each particular expense item.

Q. I would like to see how that works out, if you have an opportunity to do that. Perhaps it might be useful to the committee afterwards. You cannot very well work it out at the moment, because it would take too long. But I would like to see how that 75·6 cents which we said is roughly the cost of doing business, has been distributed over the different costs.—A. Yes.

Q. Coming to that, here is what I want to ask: Are not some of these costs too high?—A. Well, to a person who is not familiar with the business, I can well understand the question. A can appreciate your asking that. But I think I can, perhaps, answer it this way. We believe we are a pretty efficient organization, as I said to Mr. Stevens this morning; we claim that everything we spend, whether it be for salaries, rent, office supplies, accounting, office advertising, whatever it may be, has been spent with the profit motive. Our figures of profit and loss, I think, compare very favourably with our competitors. It has been our experience in the States, and we have had something like sixty years' experience, that our efficiency is proven by the fact that the rates we charge are lower than those of our competitors. Our operating costs are lower, and our profits are higher. Now, it seems to me that that is a fair proof of efficiency.

Q. Are your operating costs lower than others in the same line of business?

—A. Taking Canada and the United States, yes. There is no one else in the same position that we are in Canada. We have more branches and this is a chain organization without any family influence. We have to train our own men. I can conceive a situation where a father and son and daughter might run a loan office and, perhaps, run it with a small expense; but we have to rent offices and pay salaries that will attract a good class of personnel, and I am satisfied that our expenses compare favourably with those of others.

Q. That is one consideration. You speak of a father, son and daughter running the business, but when it is a big organization—A. That is out of the question.

Q. You cannot afford to be crooked; is not that it? You can run a peanut stand and be crooked, but you cannot sell \$3,000,000?—A. That very fact. We have a reputation to maintain. We have too much at stake. We have sixty years of background, and we have a big investment, and it is just good business to play straight.

Q. If your profits were too high, would not some other smart man come along and do the business?—A. Naturally.

Q. And he would get it by lowering the rates?—A. Competition would force that.

Q. In other words, you do not place them in the class of sharks or monopolists?—A. Yes. There is nothing mysterious about this business. Competition of the right sort will force rates down to a certain place. There is a line beyond which you cannot go and still make a profit.

Q. If you were willing to set a certain standard, there are certain things you could not do and certain things you could do; then the rates of the companies that would remain in business would be determined by the efficiency of those companies?—A. Yes. On the other hand, there is a danger in setting too high a rate that will make the business attractive to capital and there will be too much competition, where you would have a lot of small operators requiring big rates in order to make a profit on earnings on smaller investments.

Q. You are a Scotsman, are you? What you are getting at is that you want the business set at a point that will make it too high for your competitors, and that you, by better business management, can get away with it?—A. We want to set a point where we have enough competition without adding to it and ample opportunities for the borrower to choose his lender, and where competition will enter into the picture.

Q. If I go to you to borrow money—to borrow \$200—do you tell me exactly what that is going to cost me? Not in terms of percentages?—A. Indeed we do, sir.

Q. Do you tell me it is going to cost me so many dollars?—A. Yes.

Q. You tell the full story?—A. Yes.

Q. And all the charges are stated?—A. Furthermore, our contract distinctly indicate that the rate must not be in excess of $2\frac{1}{2}$ per cent per month; and in addition to that we will tell you what the loan costs at any given point during the progression of the loan in dollars and cents.

Q. I want to go back to this first one—18·59 per cent.—A. Yes.

Q. Your largest class of people are those who have medical bills to pay?—A. That is right.

Q. Why do they not let the doctor go chase himself instead of going to you?—A. Well, because the majority of people are honest and want to pay their own way. That is why it is that many people think this is a depression business that exists during the few years that are bad when people are out of work. What actually happens is that when these people get back to work and know that their job is reasonably secure for a while they want to get out of debt.

[Mr. Arthur P. Reid.]

Q. They want to square up with this doctor?—A. Yes. They want to go along the street with their heads up so that in bad times they can lean on him again; but when they can pay they want to pay. Those are the citizens who have kept off relief for the most part and are sufficiently proud and honest that they want to stand on their own feet.

Q. Are some of these people coming to you because the doctor is chasing them so hard that they would rather square up than go the other way?—A. That happens too. A doctor, after all, is not a Christmas tree. He is entitled to pay.

Q. And he is generally left to the last?—A. Yes, he is generally left to the last. In a hospital you have to pay before they take you in.

By Mr. Martin:

Q. Mr. Reid, I had a case brought to my attention recently along this line in regard to your company where a man owed, let us say, \$500, and he was being harassed. He went to you people, and you were able actually to effect a considerable reduction in the amount of the loan. In other words, you were able to say, "for cash we will give you so much."—A. That frequently happens, where we work out a budget for these people where accounts have been outstanding for a long time. We can frequently go to these creditors and say, "here, Brown is borrowing this money and pledging his furniture, and he is genuinely interested in getting out of debt and wants to pay you, but he cannot borrow enough money to pay all these bills. Let me give him some, and will you make a discount if he pays you cash?" Frequently creditors do that. They are mighty glad to get 60 cents or 90 cents on the dollar on an account that has been standing for a few years. However, if he did not borrow the money they would not get paid at all or would have to take 50 cents this week and a dollar next week and so on.

By Mr. Deachman:

Q. One more question. Do you know the American rates with regard to companies similar to yours?—A. Yes. I can give you them generally or specifically. They run from $2\frac{1}{2}$ to $3\frac{1}{2}$ per cent per month.

Q. Take a state that compares with Canada—New York state or the New England states?—A. I do not think any of those states are comparable to the situation here, because they are highly industrialized states with large cities in them. In Canada we have only a few cities of any size, and they are scattered. I do not mind telling you that the only reason we have never opened offices in Winnipeg and Vancouver is because they are too remote from Toronto and the cost of supervising would be excessive.

Q. In operating in a city like New York would the cost of making loans be lower or higher?—A. They are lower in some respects and higher in others. Rents, perhaps, would be higher.

Q. Would the total operating cost be higher in New York?—A. Yes. I would say slightly higher.

Q. What are loan company rates in New York state?—A. $3\frac{1}{2}$ per cent. The rate was reduced to $2\frac{1}{4}$ per cent a few years ago. I think it was 1933.

Q. When was their law passed?—A. The first law was passed, I think, in 1928.

Q. That would be in the days of Roosevelt?—A. Roosevelt did sign a new law increasing the rate.

Q. To what?—A. 3 and $3\frac{1}{2}$ per cent per month.

Q. I call that to Mr. Tucker's attention.

MR. TUCKER: I am sorry you destroyed my confidence in Mr. Roosevelt.

THE WITNESS: These figures are correct. "In the United States this business has been going on for about sixty years...."

By Hon. Mr. Stevens:

Q. What are you quoting from?—A. A brief I prepared some time ago as the result of my research work. I think when I give you the figures you will be satisfied: "In the United States where this business has been going on for about sixty years and where it is now regulated by some form of reasonably workable legislation in twenty-six states, the legal maximum rates are as follows:—

In 12 States — $3\frac{1}{2}\%$ per month. In 3 States — $2\frac{1}{2}\%$ per month
In 9 States — 3 % per month. In 1 State — 2 % per month.
In 1 State — $1\frac{1}{2}\%$ per month.

In the last two states, namely Georgia and New Hampshire, loan sharks flourish and the chief legal companies do not attempt to do any business.

In 1925 West Virginia passed a small loan law with a rate of $3\frac{1}{2}$ per cent per month. In 1929 that rate was reduced to 2 per cent per month. On June 30, 1929, there were 62 licensees.

By Mr. Deachman:

Q. As far as this goes, our rate is—this proposed rate here is generally lower than the American rate?—A. Oh, yes. I would like to give you another paragraph here that develops that further. I think it is essential to what I have said. I might say that each office requires a separate licence. That means sixty-two operating licensees. "On June 30, 1929, there were sixty-two licensees. By June 30, 1932, the number had shrunk to twenty-two. The volume of outstanding loans had shrunk from \$3,600,000 to \$900,000 at the close of 1932. The amount of illegal lending increased tremendously. By March, 1933, West Virginia had had enough of its experiment and increased the maximum rate to $3\frac{1}{2}$ per cent per month up to \$150 plus $2\frac{1}{2}$ per cent per month on any excess.

Similarly New Jersey...

Q. Is New Jersey comparable with Canada?—A. It is a highly industrialized state.

...Similarly New Jersey had a rate of 3 per cent per month, reduced this to $1\frac{1}{2}$ per cent per month and had to increase it again to $2\frac{1}{2}$ per cent per month...

By Mr. Martin:

Q. Is New York a comparable state?—A. I said it was a highly industrialized state.

...New York State had an effective rate of approximately $2\frac{1}{4}$ per cent per month, but in spite of the density of population, there were, after the law had been in effect seventeen years, only twenty-one licensees with outstanding loan balances totalling \$8,071,481...

MR. DEACHMAN: That covers what I wanted to ask: That is all I have to say.

THE WITNESS: There is another sentence that is rather important to show what happens when the rate is changed: "Effective June 1st, 1932, the rate was increased to 3 per cent on the first \$150 plus $2\frac{1}{2}$ per cent on any excess. In seven months of operation under the new law there was a 25 per cent increase in the volume of outstanding legal loans. Apparently the $2\frac{1}{4}$ per cent rate which we are asking for ourselves in Canada was not sufficient to attract commercial capital to New York in any considerable volume."

MR. TUCKER: I wonder if that is right, to say that is Mr. Roosevelt's law. I do not think that this man has any right to say that this is Mr. Roosevelt's law.

[Mr. Arthur P. Reid.]

The CHAIRMAN: Mr. McPhee had the floor.

Mr. TUCKER: I object to that statement.

The WITNESS: I assure you that Mr. Roosevelt fought very hard for that law.

By Mr. McPhee:

Q. After this love feast between yourself and Mr. Deachman—

Mr. DEACHMAN: Could you go on with your examination without any reference to that sort of thing? Take that back. It is not a love feast—

Mr. MCPHEE: I said—

Mr. DEACHMAN: You are insinuating that there is some arrangement, that is what you are trying to do. You attend to yourself and you will have plenty to do.

Mr. MCPHEE: There was nothing except that the facility with which the witness answered the questions—

Mr. DEACHMAN: I tell you there is no arrangement, and you have no right to make that statement.

Mr. MCPHEE: Except the facility with which the witness answered the question.

The CHAIRMAN: Mr. McPhee, I think the statement was hardly fair. Mr. Reid has answered with facility every question which has been asked.

Mr. DEACHMAN: Withdraw the statement.

Mr. MCPHEE: Well I withdraw the statement.

Mr. DEACHMAN: All right.

By Mr. McPhee:

Q. What percentage of your loans are made to those who buy goods on the instalment principle?—A. It would be impossible to know that. You might just as well ask me how many gentlemen in this room buy goods on the instalment plan.

Q. The questions put by Mr. Deachman would lead us to believe that you are comparing your rate of interest with those who sell goods under the instalment principle?—A. I am making no comparison at all, Mr. McPhee.

Q. Are you not strictly a loaning company?—A. Quite so; that is all we do, loan money on this plan.

Q. And therefore if you invest money you do not invest it for something you have to sell; you invest it because of the profit that is in it?—A. The profit we hope to be in it.

Q. Now, break down your statement of 1936?—A. Yes.

Q. You show here interest of \$333,649?—A. Yes.

Q. You show expense charges of \$125,264?—A. No, service charges.

Q. Expense charges in this statement. Then, we have a different statement altogether. In the statement furnished me the break-down is shown as expenses?—A. That is a service charge, not like an expense made in connection with the loan.

Q. How much of that \$125,264.—A. Generally styled service charge, revenue not expenses.

Q. How much of that \$125,264 is paid out by your company to anybody else?—A. I think this question was answered this morning to Mr. Tucker. It is all in the morning's proceedings.

Mr. LAWSON: Nothing is paid out except in salaries to their own employees.

Mr. MCPHEE: Nothing is paid out. How much of the fees \$227,695—

Mr. WALKER: Is that question going on the record? That is not in accordance with the evidence that this witness has given. I think Mr. McPhee ought to withdraw that.

The CHAIRMAN: I wonder if you would come forward, Mr. McPhee. I understood Mr. McPhee to make a remark that nothing was paid out.

Mr. LAWSON: That has been said.

The CHAIRMAN: Would you mind coming forward, Mr. McPhee. I find it difficult to follow you.

By Mr. McPhee:

Q. Possibly I have the wrong return. The return that I have shows that \$125,264 was paid out by this company in 1936 for expense charges?—A. That is revenue; that is not expenses.

Mr. FINLAYSON: May I explain that. That is my statement, I must explain it. The term "expense charge" as used in the statement Mr. McPhee is quoting from is exactly the same item which in this statement is called "service charge." In using it I meant to indicate that it is a charge authorized by the special act for expenses. The word "service" does not appear in the special act. They are permitted to charge to the borrower 2 per cent of the amount of the loan for expenses; therefore in this statement I called it an expense charge; but it is exactly the same item.

Mr. TUCKER: Two per cent of the amount of the loans?

Mr. FINLAYSON: Whether you call it expense charge or service charge I do not think it makes very much difference. In both cases it is revenue to the company.

By Mr. McPhee:

Q. Well, now there are \$227,695 represented as fees. That is revenue to the company?—A. Yes.

Q. If you break it down what does it amount to?—A. Break it down in what way?

Q. Has that been paid out to anybody, or is it revenue earned to the company?—A. I explained that this morning, Mr. McPhee. Our expenses in conducting this business have exceeded, I think, the total of both of these figures.

Q. What is your total revenue at the end of 1936?—A. It is given right in the figures, Mr. McPhee.

Q. \$690,000. What does that figure out to in per centum on the amount of your assets as at the beginning of 1936?—A. Beginning of 1936?

Q. Yes?—A. That is not a fair way to figure.

Q. I am asking the question?—A. I know, Mr. McPhee. You cannot figure it that way because you have to figure your assets over the whole year.

Q. Take it on the mean assets?—A. 2.45 per cent per month.

Q. What does that amount to per annum?—A. 29.40 per cent.

Q. Practically 30 per cent per annum received by this company in 1936?—A. Yes.

Q. Whereas under your charter you are permitted to charge 7 per cent per annum, and there might be some debate as far as the legal men around this board concerned as to whether or not that 7 per cent amount means the total rate per annum and not the discount rate. However, you say you charge 29 per cent in the face of the fact that your charter provides for 7 per cent?—A. Oh, no; you are confusing several things there. That 29.40 is interest plus fees and all expenses connected with it.

[Mr. Arthur P. Reid.]

Q. I know that?—A. Now we are asking to have that reduced to 24 per cent, so this 24 figure—

Q. Two per cent per month. What does that amount to per annum?—A. Oh, Mr. McPhee—

The CHAIRMAN: We went into this matter very thoroughly this morning. All these questions were answered this morning.

The WITNESS: I sat here all morning answering these questions for Mr. Tucker.

Mr. McPHEE: All right.

By Mr. Quelch:

Q. At the present time you are running in Ontario on chattel mortgages and by the borrowers getting endorsers?—A. No, sir, on chattel mortgages.

Q. In Quebec?—A. No business in Quebec.

Q. You are doing no business at all in Quebec?—A. No.

By Mr. Landeryou:

Q. Do you consider yourself in competition with the personal loans department of the Canadian Bank of Commerce?—A. Oh, not at all.

Q. Why do you say that, on what ground? They make personal loans.—A. I think I can answer it in this way. I will give you a concrete example. In the period from the 1st June up until the end of December when the Bank of Commerce came into this field, we had lost to the bank out of our many thousands of accounts, 195 accounts. During that same period we had 6,895—I may be one or two out; I have answered that question so often I have got it pretty nearly by memory—6,865 brand new customers coming to us that had never done business with us before. While we were losing 195 old accounts we got 6,865 new ones.

Q. Would not the fact that you had lost 195 to the bank indicate that you are in competition with them in this loan business?—A. During the last few months they have been coming back from the bank to us.

Mr. TUCKER: They want to pay the higher rate.

By Mr. Landeryou:

Q. What reason would you give for their coming back?—A. There are always some people who are looking for bargains. They may have been able to get endorsers on the first loan, and may have been willing to sacrifice a certain amount of pride in asking people to sign notes for them. After having done that once perhaps they determined they would never do it again, and some new emergency might have arisen that was not anticipated or was not within their control at the time they borrowed the first loan, and they required more money. They would never have the nerve to come back and ask those same friends to sign, and perhaps they had promised themselves that in future they would stand on their own feet.

Q. And the reason for their coming to you is simply that they could borrow from you easier than they could borrow from a bank?—A. On a plan that suits their finances better. Some of these people just could not get endorsers that would be acceptable to the bank. Others would not if they could. There must be some reasons for our business increasing, for our business is going ahead.

Q. That is what I wanted to know, why it was?—A. There must be some satisfaction with the way in which we are treating them or they would not come back to us.

By Mr. Cleaver:

Q. Your loans are individual loans altogether?—A. To the husband and the wife concerned, or to the wife and the husband, as the case may be. And the odd case, in the case of a widow, perhaps the son or daughter who provides the things for the home.

Q. And generally, although not always, you take a bill of sale?—A. No sir, a chattel mortgage.

Q. A chattel mortgage?—A. Yes.

Q. And under this bill you propose not to make a charge for taking that?—A. The 2 per cent will be all inclusive; it will include the interest, the cost of investigation, and the cost of collection and everything else.

Q. Does that include the cost of registering the mortgage?—A. No, it does not. There is the right to charge for the registering of the mortgage. We have that now, but we have never used it. We absorb that. We have never handed that charge on to the borrower.

By Mr. Deachman:

Q. What does it amount to?—A. Oh, perhaps it would amount to \$2 by the time you make your searches and have your affidavits taken.

By Mr. Clark:

Q. Would you charge for the search?—A. No.

Q. You are entitled to make a charge for searching?—A. That 2 per cent includes everything.

Q. And the only charge they would have to pay in addition to the 2 per cent would be to have the mortgage registered?—A. If this amendment carries, yes.

Q. And that would be the only charge they would have to pay?—A. We do not intend to pass on that charge either. What we want is a rate that will cover everything, and if we get that we do not intend to pass these other charges on.

Mr. CLARK: That would be fair.

By Mr. Landeryou:

Q. Has your company ever operated under a provincial charter?—A. No, sir.

Q. Then, why have a federal charter?—A. We want to operate legally, and we thought this would be the best way of doing it.

Q. As a matter of fact, could you not operate under a provincial charter?—A. Without a doubt we could, and I am beginning to think that possibly we were very foolish in not having tried to operate under a provincial charter.

Q. Why do you say that?—A. Well, we would not have to be coming here. We could operate under a provincial charter. And perhaps I should say that I am not a criminal. If I were going out to be a criminal and to be a Jesse James I would back a really big horse. I would stay behind something of this parliament perhaps and charge a big rate of interest and make up any profit I wanted by way of fees or any of the various things which can be legally done.

Q. You actually believe you could operate under a provincial act and charge a greater rate of interest than that which is permitted under your federal statute, or in this bill which is now before us?—A. There are only three companies operating under this form of regulation and I could give you a list of perhaps 400 who can make more money by not operating in this way.

Q. What is your company doing in supporting an illegal charge of more than 2.5 per cent?

The CHAIRMAN: Mr. Reid is not a lawyer?

[Mr. Arthur P. Reid.]

The WITNESS: The fact remains they do, and no one has found a way of stopping them. I can tell you of one case where a charter was given by this parliament identical with ours and where they have never seen fit to take advantage of that charter and apply for a licence to operate under it. For years they have been operating under a provincial charter, and they are still operating and charging higher rates than they could charge if they were operating under this particular charter.

Q. You say there is no control on these companies, surely there must be some?—A. The Senate spent three months last year trying to find some way to curb it and the only decision they could come to was to make provision through some form of legislation. They even went so far as to recommend a higher rate than that which we now charge, even higher than that which we are asking.

By Mr. Cleaver:

Q. There is just one question I would like to have answered on the record; I would like to know in actual dollars which this company would charge under the proposed new rate on a typical loan as close to \$100 as you have figures for; what would be the total charge for interest and everything?—A. \$12.68 would be the charge for \$100 for twelve months.

Q. The charge would be \$12.68?—A. Yes.

MR. LANDERYOU: He says that that would be the charge on \$100 for a period of twelve months.

By Mr. Cleaver:

Q. Just one other question; if this proposed new Act had been in force last year what would have been the saving to the borrowers who borrowed from you last year—in dollars?—A. In round figures it would be about \$140,000.

By Mr. Landeryou:

Q. When a man borrows a sum of \$100, would he have that amount discounted, or would he receive the full amount?—A. He only pays interest for the time he has the money. If he has the loan for one day he pays interest at the rate of 2 per cent per month.

Q. When a man wants to secure an amount of \$100 on a loan from you can he get that amount, or does he have to borrow more than \$100?—A. Might I qualify that; there is a provision for charging additional one month's bonus.

The CHAIRMAN: Are you ready for the question?

By Hon. Mr. Stevens:

Q. I do not like to see that last answer given in the form in which it was. If a man borrows from you the total charge made by your company is—how much did you say?—A. The total amount charged is \$12.68, Mr. Stevens; that is under the new proposed 2 per cent rate.

Q. A year?—A. Yes.

Q. Now then, that is paid back to you at a rate of so much per month; what do you charge?—A. \$2 for the first month. The 2 per cent on \$100. It is not paid back, it is paid to us.

Q. No, no; principal and interest is paid back to you in monthly instalments?—A. Oh, yes, that \$100 is paid back at so much each month plus 2 per cent interest on the balance that he has had the use of. \$100—the first month he pays back $\frac{1}{12}$ of the \$100, say \$8.33, and then 2 per cent of the balance.

Q. Then, it is not true to say that the total amount that the borrower pays to you is \$12.68?—A. Yes it is, sir.

Q. No, excuse me; because he pays back \$10 a month—A. That is on account of principal. We were taking the question, I think, of what the loan cost.

Q. Wait a minute, you get your principal back, so that really your principal is only out for 6 months and the effective rate of interest is 24 per cent?—A. Yes, the effective rate of interest is 24 per cent.

By Mr. Landeryou:

Q. The volume of business done will never I understand have to determine the amount of interest that you will charge. This 2 per cent per month may be reduced if volume of business increases?—A. That is pretty hypothetical. Naturally your expenses increase with your volume of business. There is a irreducible point. Our reason for doing business is to win profit. We expect a reasonable profit and we think that when the time comes we can. And that is just the policy of the company. In books that you read on this subject which give the history of this business in the United States you will find with respect to our company that that is so. We intend to make loans at the lowest possible rates consistent with good business.

Q. You can operate only in areas where the volume of business is such as would warrant your establishing a branch?—A. Absolutely, we must be assured of volume before we open a branch.

Q. How many people would you have to have in a given area before you would open a branch?—A. I do not think we could make any money in any branch on a 2 per cent basis where the population in a 30-mile radius would be less than 150,000. These branches could not be carried on that basis very much outside of the larger cities.

Q. You would not be able to operate in a rural community?—A. That is out. We would not be able to operate at our present rates there. We could not open offices, unless we had 150,000 people within a radius of 30 or 40 miles.

Q. I wanted to bring that point out because consumers' credit is required by many people in rural communities, and that is particularly the case in Western Canada?—A. We are not operating in Western Canada at all.

By Mr. Tucker:

Q. Mr. Cleaver asked you about what you would charge, what would be the charge if this Act were through?—A. No.

Q. That is what I understood.—A. Mr. Cleaver asked me what the charge would be on \$100 now, under the new Act.

Q. And you said it would be \$12.50?—A. No, I said it would be \$12.68.

Q. That is, if you made an advance of \$100 now?—A. Yes.

Q. What do you charge now in respect to the three item; that is, the disbursements in respect to loans and in respect to chattel mortgages?—A. On a loan of what size?

Q. Well, say of \$100.—A. It varies with the size of each loan.

Mr. FINLAYSON: \$5.52 on a one hundred dollar loan.

The WITNESS: As a matter of fact, on the discount plan we do not make loans with the actual figure of \$100; we make them for \$120 because it is a figure divisible by twelve.

By Mr. Tucker:

Q. There has been an attempt to compare what would happen if this does not go through?—A. You want to know the present cost of a \$100 loan—\$15.85.

Q. How do you make that out? \$5.50 for the mortgage and \$7 for interest and \$2. That is \$14.50?—A. Here is a comparable loan of \$120. The charge on \$120 is \$17.42. The borrower gets \$102.58.

Q. For \$120?—A. Not for making a loan on \$100. I am speaking of cash, not discount. That is to say, he gets the use of \$100. The 2 per cent will be

[Mr. Arthur P. Reid.]

figured on a larger figure because you have got to take that wind out in order to give him the \$100.

Q. First of all— —A. \$100 cash at the present time would cost him \$15.85.

Q. For \$100 cash?—A. Yes.

Q. How is that made out?—A. It would be arrived at in this way: there would be a calculation of $2\frac{1}{2}$ per cent per month on the outstanding loan, the balance from which would be deducted—

Q. No; but you have your charter—7 per cent interest?—A. This is quite intricate. It seems simple to you—

Q. I am going according to what you have a right to do.

The CHAIRMAN: Let him answer the question.

The WITNESS: To start with, in order to get \$100 cash you presuppose a larger figure, and that discount is figured on the—

By Mr. Tucker:

Q. Take the figures you want?—A. Let me finish. I think it is only fair.

Q. All right.—A. The 7 per cent and 2 per cent are figured on that larger figure, and I am suggesting to you that a parallel case would be the \$120 loan, except that we produce \$102.58 instead of \$100. The principal is the same.

Q. Take \$120.—A. You can deduct the \$2.58 from the cost of the loan and you get pretty close to what I am saying—\$17.42.

Q. How is that made up?—A. \$8.42 discount, 2 per cent service charge \$2.40, chattel mortgage fee \$6.62. That totals \$17.42, from which you deduct on the \$100 loan \$2.58 extra cash he got at the start.

Q. That makes \$102.58?—A. In other words he is paying for a loan of \$100 approximately \$17.42, less \$2.58—in the neighbourhood of \$15.

Q. On the present basis for \$100 how much does he pay altogether?—A. The present basis? What do you mean?

Q. On the basis if this bill goes through?—A. That is not the present basis. On that basis he pays \$12.68. Now, we have a perfect right to charge the recording fees in addition to that if we want to.

Q. Now, is it not true that if you are only entitled to charge 7 per cent interest— —A. That is your assumption.

Q. Yes. Assuming that that is the proper view of the law—

Mr. WALKER: I do not intend to have him answer that question. It is purely a supposition based on your opinion which is entirely in conflict with my own.

Mr. TUCKER: It is based upon the opinion of a court.

The WITNESS: No, it is not.

The CHAIRMAN: Mr. Tucker, did we not thresh all that out a few moments ago. Are you ready for the question?

Mr. MCPHEE: Mr. Chairman, are we not bound by the decision arrived at at the last meeting of the committee? Section 1 was before the committee. I am reading from the records of the committee:—

Before resuming consideration of section 1, Mr. Mallette moved that the words "of Canada" be added to the proposed title of the bill. Carried.

Mr. Vien moved that clause 1 carry.

Mr. McGeer arose to speak and continued at considerable length to give his views on the legislation before the committee. There were many interruptions including some suggested motions, verbal and written, but as Mr. McGeer had the floor, all were more or less out of order. Mr. McGeer submitted a motion and several of the members suggested

motions and suggested amendments to Mr. McGeer's motion. After much discussion the following motion by Mr. McGeer, seconded by Mr. Tucker, was adopted:—

That Mr. Lionel Forsyth of Montreal be invited to attend and give evidence before this committee on the matter now under consideration with the understanding that Mr. Forsyth appears at his own expense on Thursday, April 1st.

Now, the matter before the committee at the time was section 1 of this bill.

An Hon. MEMBER: No, no, section 3.

Mr. McPHEE: I am reading from the records of the committee.

Mr. MARTIN: They do not say that.

The CHAIRMAN: It does not say that in the record.

Mr. McPHEE: Section 1 was before the committee. Mr. Vien moved that clause 1 carry.

Mr. DONNELLY: The chairman said that we could pick on anything in the bill, and we did.

Mr. McPHEE: I am reading from the record of the committee. How can we conclude section 1 without giving Mr. Forsyth a chance to appear?

The CHAIRMAN: The bill will not be through the committee before Mr. Forsyth comes.

Mr. DONNELLY: I would like to know what Mr. Forsyth can tell us with regard to changing the name.

Mr. WALKER: I can tell the committee if it is of any interest to the committee. He said in his memorandum, "No very decided objection can be made to the proposal to change the company's name or to increase its capital." That is in the memorandum which Mr. McGeer read from.

The CHAIRMAN: What is your pleasure with regard to section 1?

Hon. Mr. STEVENS: I would like to ask for a recorded vote, Mr. Chairman.

The CHAIRMAN: All right. Record the vote. Yeas, eleven; nays, six. I declare the clause carried. Now, clause 2.

Hon. Mr. STEVENS: No, Mr. Chairman, it is six o'clock.

The CHAIRMAN: Shall we meet to-night, gentlemen?

Some hon. MEMBERS: No.

Mr. MARTIN: Yes.

The CHAIRMAN: What is the pleasure of the committee? Shall it be 10.30 to-morrow morning?

Mr. McPHEE: Have we a caucus to-morrow?

Mr. MARTIN: Speaking for myself, I do not see why we cannot go on to-night, with the session coming to a close so quickly.

The CHAIRMAN: What is the wish of the committee?

Hon. Mr. STEVENS: I am opposed to it.

The CHAIRMAN: Suppose we meet to-morrow morning at 10.30.

Mr. TUCKER: With regard to meeting at 10.30, I have been here at 10.30 for the last few mornings, and we do not get started until eleven. I submit we should not call a meeting until eleven if we are not going to be here.

The CHAIRMAN: I am heartily in sympathy with you. Suppose we say eleven o'clock then.

Some hon. MEMBERS: 10.30.

The CHAIRMAN: The majority seems to want 10.30, Mr. Tucker. You have been overruled. Then we will meet at 10.30 to-morrow.

The committee adjourned at 6.01 p.m. to meet again on Wednesday, March 31, at 10.30 a.m.

Dr. Doc
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Canada, Banking and Commerce
Cttee on, 1937



SESSION 1937
HOUSE OF COMMONS

CAIXC 13 (STANDING COMMITTEE)

- 1311
ON

BANKING AND COMMERCE

MINUTES OF PROCEEDINGS AND EVIDENCE

Respecting

Bill No. 58 (Letter C of the Senate), An Act Respecting
Central Finance Corporation and to change its name to
Household Finance Corporation

No. 3

WEDNESDAY, MARCH 31, 1937

WITNESS

Mr Arthur P. Reid, Vice-President and General Manager, Central
Finance Corporation, Toronto.

OTTAWA
J. O. PATENAUDE, I.S.O.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1937

MINUTES OF PROCEEDINGS

MORNING SITTING

COMMITTEE ROOM 368,

WEDNESDAY, March 31, 1937.

The Standing Committee on Banking and Commerce called to meet at 10.30 a.m. this day, came to order with a quorum at 10.45 o'clock with Mr. W. H. Moore, the Chairman, presiding.

The following Members of the Committee were present:

Messieurs: Baker, Clark (*York-Sunbury*), Cleaver, Coldwell Deachman, Donnelly, Edwards, Fontaine, Hill, Jacobs, Kinley, Leduc, Mallette, Martin, Moore, Quelch, Stevens, Tucker, Vien, Ward.—(20)

In Attendance: Mr. G. D. Finlayson, Superintendent of Insurance, Ottawa; Col. A. T. Thompson, K.C., Parliamentary Agent in charge of the Bill before the Committee; Mr. Harold Walker, K.C., Counsel for the Corporation; Mr. Arthur P. Reid, Vice-President and General Manager; Mr. R. W. Harris, Director of Public Relations of the Corporation; and others interested in the matter before the Committee.

Clause 2 of Bill 58 (C) under consideration.

Mr. Arthur P. Reid recalled.

Mr. Stevens proceeded with examination of witness.

Mr. Walker, counsel for the Corporation, answered some of the questions.

Mr. Tucker continued the examination of the witness with some questions by other members of the Committee.

Mr. Tucker moved that Clause 2 be stricken out of the Bill.

Motion negatived on a Standing vote.

Mr. Stevens asked for a recorded vote.

Motion negatived,—5 for—10 against.

Mr. Cleaver moved,—

That Clause 2 be amended by adding thereto the following: "provided that no capital stock shall be issued for accumulated profits or any consideration other than actual cash."

Amendment carried on a standing vote.

Mr. Stevens asked for a recorded vote, which was taken. Passed in the affirmative,—13 for—1 against.

The question was then put: Shall Clause 2 be adopted as amended? Carried on a standing vote.

A recorded vote was again called for resulting in 11 for—4 against.

Clause 2 declared adopted.

It being near one o'clock, after some further discussion it was decided to resume again at 4 p.m. this day.

The Committee adjourned.

AFTERNOON SITTING

March 31, 1937.

The Committee reconvened at 4 p.m. this day and came to order with a quorum at 4.15 o'clock, with Mr. W. H. Moore, the Chairman, presiding and the following members of the Committee present:—

Messieurs: Baker, Clark (*York-Sunbury*), Cleaver, Coldwell, Deachman, Donnelly, Edwards, Hill, Howard, Jacobs, Kinley, Landeryou, Leduc, MacDonald (*Brantford City*), Mallette, Martin, Moore, Perley (*Qu'Appelle*), Quelch, Ross (*Middlesex East*), Stevens, Tucker, Vien, Ward, Woodsworth. (25).

In Attendance: Mr. G. D. Finlayson, Superintendent of Insurance, Ottawa; Col. A. T. Thompson, K.C., Parliamentary Agent in charge of the Bill before the Committee; Mr. Harold Walker, K.C., Counsel for the Corporation; Mr. Arthur P. Reid, Vice-President and General Manager; Mr. R. W. Harris, Director of Public Relations of the Corporation; and others interested in the matter before the Committee.

Mr. Martin filed with the Committee: *Memorandum* with respect to Senate Bill H, an Act respecting Industrial Loan and Finance Corporation and Central Finance Corporation and to change its name to "Household Finance Corporation" (marked as Exhibit 1). Also: *a booklet* (in print) entitled "The Present and Future of Small Loan Legislation in Canada," by Mr. Lionel A. Forsyth, K.C., of Montreal.

Clause 3 of Bill 58 (Letter C) before the Committee

Mr. Arthur P. Reid recalled.

Mr. Martin moved:—

2. That Bill No. 58 (Letter C of the Senate) be amended by striking out Sections 3, 4, 5 and 6 thereof and by substituting the following therefor:—

3. Paragraph (B) of subsection 1, section 5, of the said Act as enacted by section 2 of chapter 94 of the Statutes of 1929 is amended by adding thereto as sub-paragraph (iv) the following:—

(iv) whenever the Company under authority of this Act makes a loan of five hundred dollars or less, sub-paragraphs (i), (ii) and (iii) of this paragraph (b), shall not apply. Instead the Company may, with relation to such loan, make against the borrower an aggregate charge, expressible as a percentage of the principal money loaned, which charge shall be deemed to include all interest on the loan, all charges thereon, or therefor, of every nature and kind, other than interest, all disbursements (except for registration fees as hereunder provided) made in connection with the loan, and all other fees, charges or services whatsoever arising out of or incidental to the loan. Such aggregate charge shall not be wholly or partly deducted in advance, and it shall not exceed two per centum per month, on the amount or balance of principal money remaining owing from month to month, but any money actually disbursed as registration fees, relating to the documents of loan and payable by law may be added to any treated as part of the principal money loaned. Such loans shall not be made for periods in excess of eighteen months, and they may be prepaid at any time by payment of principal, any part of the aggregate charge accrued or owing, and an additional payment of the aggregate charge for one month in-lieu of notice. Such additional charge shall not be payable, however, in case of the renewal

or replacement of a loan. The Company may make such loans upon terms that the principal of the loan shall be repaid by substantially equal monthly instalments, with the accrued aggregate charge on the amount of the balance of the loan from time to time owing, or that the principal and the aggregate charge of the loan shall be blended and paid by substantially equal monthly instalments, but in any event the Company shall plainly disclose in the document of loan expressed as a percentage of the principal sum loaned, the amount of the aggregate charge payable per month.

Mr. Stevens addressed the Committee, entering strong protest against the proposed amendment to the Bill, and stated that, in his opinion, it was not in order.

The Chairman ruled the amendment in order.

Mr. Stevens appealed against the ruling of the Chair.

A recorded vote was called for, as to whether or not the Chairman's ruling be sustained.

The Chairman's ruling declared sustained by a vote of 11 Yeas to 5 Nays.

It being after six o'clock and the Clerk of the Committee having called attention to the fact that a quorum was not now present, the Chairman adjourned the Committee to meet again to-morrow, Thursday, April 1, at 10.30 a.m.

E. L. MORRIS,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 368,

March 31, 1937.

The Standing Committee on Banking and Commerce met at 10.45 a.m. Mr. W. H. Moore, the chairman, presided.

The CHAIRMAN: Gentlemen, come to order. Who has the floor? What is your pleasure in regard to section 2?

Some Hon. MEMBERS: Carried.

Hon. Mr. STEVENS: No.

The CHAIRMAN: It is not carried.

Hon. Mr. STEVENS: I am not desirous of delaying matters at all. I simply want to get some information.

Mr. DUFFUS: I thought you had the information.

Hon. Mr. STEVENS: I am a long way from satiation yet. Now, Mr. Chairman, we are considering clause 2, which has, I quite frankly state, been very substantially considered in connection with clause 1, and necessarily so. Nevertheless the action of the committee in regard to this clause, has, I think, very unusual significance, which ought to be appreciated before we adopt it. Now, I should like to remind you, Mr. Chairman, and the committee, that according to the very definitely expressed view of the Minister of Finance speaking for the government, it is contemplated that the general legislation controlling these companies is to be considered, and I think I am justified in saying we gathered from his remarks, revised at the next session of parliament. Furthermore, as I said yesterday when these bills were sent to the committee by the house there were many members who thought it was for the purpose of examining into the philosophy, if you like, or theory of this class of business. Consequently I feel that we must at this time give consideration to these general views and not limit ourselves merely to consideration of whether a private corporation is asking for the right to increase its capital. If we pass this clause the parliament of Canada is saying that notwithstanding anything contained in the Interest Act or the Money Lenders' Act, or in paragraph C of section 63 of the Loan Companies Act.

This company is authorized to carry on its business with a capital structure of \$5,000,000 if this clause is adopted. Now, let us consider what that means. We assume that the views which have been expressed by many members of the house should prevail next year in the general revision of the act, and that there will emerge from that study not only a very definite restriction of the rate of interest that may be charged by these companies, but we can assume further, and I hope it will be true, that out of that study will emerge suggestions that will lead to the erection of a system in Canada of providing for the small borrower facilities at lower rates of interest. In other words, I hope, and let us assume that it is possible, that parliament can devise a system for the industrial or urban borrower similar to the principle which is in the rural credit system of operation at the present time.

Now, I am going to say at once that I recognize that rural credits have not yet been brought to a position of satisfactory perfection by any means, but I remind the committee again as I did the house when I spoke on this subject that it took us years to get the rural credit system started at all; while I am far

from satisfied with it, we have at least made a start on rural credit. We ought also to give consideration to the provision of loans in industrial or perhaps I should say urban centres. Now, I think it is a fair assumption, Mr. Chairman, that out of the study of parliament next year will emerge some system of that character. If this company is granted these powers, as I said a moment ago notwithstanding anything in the Interest Act or the Money Lenders' Act, we are establishing now a very reasonable and justifiable claim on the part of this company that parliament having done this in the light of an anticipated revision of the Act they have a vested right which parliament should not disturb. It is a fair assumption, and I would say this; that I am not for one moment criticizing the company for endeavouring to get itself in that position. I think it is good business on their part and I am not offering any criticism of that. They are looking at it from their angle. I differ from them, and differ from them very frankly; I think they will not charge me with not being frank with my position on their request. But I conceive it to be our very great duty now to prevent such a condition from developing and for that reason I am opposed to the passage of this clause which was before us yesterday. And I want to say to Mr. Reid, not by way of flattery at all but with genuine appreciation, that he has proved to be a very excellent witness; he has answered our questions frankly, and I appreciate it; and in answering a question of my own yesterday Mr. Reid very frankly stated, with respect to the company's business that its facility to carry on and its capacity to carry on is not going to be impaired if this expansion or increase in capital is not granted. In the light of this expected and government announced program of revision of the main Act, and in the light of Mr. Reid's admission that his private corporation is not going to be impaired by the failure of these two sections to pass—this one is the only one now—I contend that this committee ought to say to the finance company, we prefer that you should not press this case at the present time, leave it for a year until parliament has dealt with the program announced by the government, and then after that is done we will be in a better position to consider your proposal.

I submit, Mr. Chairman and gentlemen, that that is a reasonable position. It is not a position that I think a corporation such as this could very well combat. And we must remember that a private incorporation, and particularly the incorporation of a private company that does take it out from under these three important general Acts, is a fairly great privilege that we are extending. I think that the feature of private incorporation is frequently disregarded. I consider, this is my philosophy and I have given a good deal of study to it, I consider that if a group of men go to parliament or under the Companies' Act go to the government of the day, the administration, and secure a charter which incorporates them into a corporate body and eliminates the personal liability feature that the country has given to those people a very high privilege. We have become so familiar with incorporations and the incorporating of companies that we have lost sight I think of the privilege which is extended to corporate bodies. That is another reason why I think we should scrutinize with very great care a request of this kind at any time and under any circumstances, but more particularly under the circumstances of to-day.

Now, these are the few remarks I wish to make, and all that I wish to say on this subject in the form of argument. If the committee insists on going forward with the clause then I wish to examine Mr. Reid on one or two points further relative to the use, or need, or necessity for capital; in the alternative I would appeal to the company that they should drop this clause for the time being and allow the matter to remain over until after the government has acted. I make that appeal, and I make these suggestions to the committee, and we will await what the committee is prepared to do. But I reserve, Mr. Chairman, if I may, the right to ask some questions of the company should we prefer to proceed.

The CHAIRMAN: Is it the pleasure of the committee that Mr. Stevens be permitted to examine Mr. Reid?

Mr. VIEN: Mr. Chairman, I would like to point out to Mr. Stevens in respect to his argument, which was made in a most reasonable manner, that I believe that any legislation of a general character would apply to these loan companies, and next year if as a result of the studies in the committee a law were made it would become applicable to this company whether its capital is increased or not. Further, it would apply to a corporation of \$5,000,000 to the same extent as it would apply to a corporation of \$500,000. Therefore, I do not believe that this Act, particularly section 2, as drafted would vest in the company any right that would not be regulated and overcome by the legislation of a general character which is contemplated.

Mr. LEDUC: Mr. Chairman, I fully agree with Mr. Stevens in his remarks, and I believe that owing to the fact that the Minister of Finance told us the other day that it is the intention of the government to amend the general law next year, I am opposed to this section 2 giving the right to this company to raise its capital from half a million to five million dollars. If we do accept this clause and give them that privilege we are causing harm to those who buy that stock if we do amend the general law next year and reduce the rates of interest which they are allowed to charge to-day. This clause calls for an increase in capital stock to \$5,000,000, and that would suggest that it is the intention of this company to put their stock on the market. They will sell that stock and next year when the government comes to amend the law those holding the stocks will have the right to come before the government and blame it for having given the right to that company to sell stock and then to come along with an amendment to that law reducing the rates of interest on loans. For the reasons I have indicated I am absolutely against this section of the bill.

The CHAIRMAN: Gentlemen, just a minute; before giving a decision would it not be well to hear from the company as to what they have to say in the matter.

Some Hon. MEMBERS: Hear, hear.

The CHAIRMAN: Mr. Walker.

Mr. WALKER: I was just going to announce that I am authorized to give this company's undertaking that if this clause goes through there will be no sale of stock to any public. Mr. Leduc seemed concerned because he thought the reason for this increase in our capitalization would mean that stock would be going out into the hands of the public. We have endeavoured to make it clear that the object is merely to capitalize a debt that already exists and to take care of reasonable expansion in the future. The debt exists, and in that sense, whatever the rights of the parent company may be they are vested now. This parent company has done a lot to put its money into this venture under its present charter.

Hon. Mr. STEVENS: As a loan.

Mr. WALKER: As a loan; and I would have thought that it was the best evidence of good faith on the part of the parent company that it was willing to take a subsidiary position as a shareholder rather than as a creditor.

Mr. TUCKER: Mr. Chairman.

The CHAIRMAN: Mr. Tucker.

Mr. TUCKER: The situation as I see it, viewing it from all related angles, is simply this; this company was incorporated and given the right to charge 7 per cent interest, and to make other services charges. A similar Act came before

the courts in Quebec and the decision was given that on the basis upon which they were charging and interest claimed by way of discount operated to establish an effective rate of 14 per cent instead of 7 per cent, and that was illegal. I am referring to the decision which was the only decision that had been given in regard to this Act when this company applied for this special Act, and that was the Kellie case; and it was also held that these disbursements could only be collected if they were bona fide disbursed. In other words, the right of these people to do business along the lines on which they have been doing it was called in question by one of our courts. It is quite true that since they have applied for this amendment which would give them the right to charge a rate of 2 per cent per month on the basis of interest covering everything else, since they have applied there has been another decision which would indicate that they have the right regardless of the wording of the statute to charge the effective rate of 14 per cent and make these other charges. But we are told by the Superintendent of Insurance the case is being appealed, and so the whole principal that is involved in this Act of Parliament is before the courts to-day. And I regard it as a most amazing state of affairs that when the only decision which has not been appealed finds that these companies are exceeding their rights that they should now come here and ask for this legislation. The only decision which stands and which has not been appealed although it may be appealable, the only decision which stands to-day and which is not being appealed and which has not been appealed finds that the working basis upon which these people have been carrying on is illegal, yet they appeal to parliament to give them the right to do this very thing which this decision says they have no right to do. That is what we are asked to do; and so far as any further steps being taken is concerned, the matter is under litigation. Now we are asked to step in and give these people the right to do what this Quebec court said they have no right to do. It was represented when they came before us that there was no change in the principle of this bill. Mr. Chairman, there is a fundamental change in principle. The principle approved by parliament is 7 per cent.

The CHAIRMAN: Didn't we discuss that matter thoroughly yesterday?

Mr. TUCKER: I am not going to be very long, Mr. Chairman, but I wanted to deal with this question, that we are changing the principle upon which they are authorized to do business, and we are asked to give them the right to issue new shares based upon that change in principle.

Mr. JACOBS: It is not a change of principal, it is rather a change of interest.

Mr. TUCKER: It is a change of principle, I submit. It is based upon the principle of 7 per cent interest. If we pass this amendment to the Act they are allowed to increase their stock, and we are ratifying the basis upon which they have been doing business. We are expressing our disapproval of the decision of the court in the Kellie case—

Mr. DONNELLY: Why not, that decision may be wrong.

Mr. TUCKER: They may be wrong too. We are simply interfering and saying in respect to the action of the court in interpreting our Act in a certain way that we are going to give them the right to do this. They say they are doing that right now, and we are asked to give them the right to do this, regardless of the decision in the Kellie case. We are stepping right in and giving them the right to do this regardless of the decision in the Kellie case. Now, then, the parent company says, "we have a perfectly enforceable right,"—as counsel for the company has stated,—“against this subsidiary company to require repayment of the loan. If we change that right for shares in the stock of the company we are taking a junior position. We are giving up a paramount right as a creditor for the right as a shareholder. We are doing it upon the basis that

parliament legislated that it meant that we could charge 2 per cent a month in effect as interest." Now, is that not creating a vested right in a company to come to us later on and say, "you have passed a law under which we gave up our right as a creditor to become only a shareholder." If that is not creating a vested right, then I would like to hear somebody prove that it is not.

The CHAIRMAN: That is why it was suggested that Mr. Stevens examine the company, and then we can form our conclusions after hearing the result of the examination.

Mr. TUCKER: Yes, but counsel has spoken for the company.

The CHAIRMAN: No. He spoke in reply to one question. Mr. Stevens asked the right to examine the company if that is the wish of the committee. Now, is that the wish of the committee?

Hon. MEMBERS: Yes.

Hon. Mr. STEVENS: I take it that the committee's opinion is that we should proceed on the assumption that this clause is to be adopted and the power of increasing the capital granted.

Mr. TUCKER: To test the attitude of the committee, I was attempting to make a motion that section 2 be struck out; because if it is the opinion of the committee—and the members understand the question pretty well—that section 2 should be struck out and the company should not be given the right to increase its capital, we will save a lot of time. I would move that if I could get a seconder.

Hon. Mr. STEVENS: You do not need a seconder.

Mr. TUCKER: I shall make a motion that section 2 of this proposed bill be struck out.

Mr. CLEAVER: I have an amendment which I would like to move to section 2, if Mr. Tucker would not mind me crowding in ahead of his motion, so that the whole matter could be before the committee when the motion is voted on.

The CHAIRMAN: Speak to Mr. Tucker's motion in the meantime.

Mr. CLEAVER: In the meantime, speaking to that motion, it seems to me that from time immemorial people have been borrowing small loans from their fellows on account of unexpected contingencies which necessarily arise in human life, and thinking the matter over it does seem to me that there are only three sources from which these loans could be borrowed: one, from government sources—and no one has suggested that the government should go into the small loan business—secondly, from credit unions—and this committee has heard evidence to the effect that many borrowers, and some of those who need the loans most urgently, are unable to borrow from credit unions because their credit is not good enough—therefore, it seems to me necessarily to follow that the only source from which these needy people can borrow money is from private capital. Therefore, I am rather firmly convinced that in the interests of these private borrowers—and I am interested in them, and I am interested that they should borrow at the lowest possible rate—it does seem to me that a properly constituted and properly regulated source is the best place from which they should borrow rather than from a private individual who has turned shylock, shall I say, and rather than from provincial companies who are operating without any regulations at all. Now, that being the case I have not any hesitancy in saying that I believe a company such as the one we are now discussing is the right type of set-up and is one which we should encourage rather than discourage. These men have been shrewd enough

business men to realize that it is good business, entirely apart from the question of ethics, to play ball and to be fair with their customers; and when I learned in evidence that they have not taken any court proceedings against any of their debtors, that they have not distrained chattels, that they have not sent solicitor's or bailiff's letters in an endeavour to make collections, I am firmly convinced that this company is one which should be encouraged rather than discouraged.

Now, I also realize that in this type of business where high interest rates are necessarily charged because of the services which are rendered it is extremely important that the question of watered stock and excess profits and all that sort of thing should be very, very closely scrutinized, and it is for that reason that I am making my amendment, if I can get a seconder, to this clause of the bill. My amendment is as follows:—

That section 2 be amended by adding thereto the following: provided that no capital stock shall be issued for accumulated profits or any consideration other than actual cash.

The CHAIRMAN: We do not need a seconder for that, Mr. Cleaver.

Hon. Mr. STEVENS: It is not an amendment to the motion before the Chair.

Mr. CLEAVER: If Mr. Tucker consents it will have to go in now.

Hon. Mr. STEVENS: Mr. Tucker cannot consent to anything that is a violation of the rule.

Mr. CLEAVER: He can withdraw his motion.

Hon. Mr. STEVENS: With the consent of the committee only.

The CHAIRMAN: Is this matter properly before the committee?

Hon. Mr. STEVENS: If I should have to do it formally—I do not wish to do it—I thought calling attention to it would be sufficient—I submit that this motion which Mr. Cleaver has presented is not an amendment to the motion before the Chair, but would properly be considered after the motion before the Chair to strike out the clause has been disposed of.

The CHAIRMAN: I suppose the chairman would be in order to read what Mr. Cleaver proposes, which is: that section 2 be amended by adding thereto the following: provided that no capital stock shall be issued for accumulated profits or any consideration other than actual cash.

Mr. VIEN: I think Mr. Stevens' point is well taken, if Mr. Stevens insists on it, that Mr. Tucker's motion be put to the committee. There is a motion before the Chair, and that motion is that section 2 be struck out.

The CHAIRMAN: What is your pleasure, gentlemen? Let us vote on it.

(A standing vote having been taken the chairman declared the motion lost.)

Hon. Mr. STEVENS: I would ask that the vote be recorded.

Mr. TUCKER: What was the vote—five to eight?

The CHAIRMAN: Yes.

Mr. TUCKER: We have not got a quorum then.

Mr. KINLEY: They did not all vote.

Mr. WARD: It is not necessary to call all the names.

The CHAIRMAN: How do we decide whether we call the vote or not? What is the rule of the committee?

Mr. VIEN: Do you insist, Mr. Stevens?

Hon. Mr. STEVENS: Certainly, I insist.

Mr. EDWARDS: That is perfectly all right.

Mr. WARD: My point is that it is not necessary for the clerk to take the time of the committee to call the names of people who are not here at all.

Mr. VIEN: Since a member of the committee demands a recorded vote we must proceed.

Mr. MARTIN: Call those who are present, not those who are not here.

The CHAIRMAN: Call them all.

Mr. BAKER: I did not vote. I just arrived. I do not know what the question is.

Mr. CLEAVER: The chairman might tell Mr. Baker the motion.

Mr. TUCKER: My motion was that we strike out section 2 of the proposed bill which is as follows: that the capital stock of the company shall be \$5,000,000 divided into shares of \$100 each; and my motion was: that this section of the bill which, in effect, gives them the right to increase their stock from \$500,000 to \$5,000,000 be struck out.

(The vote was then recorded.)

The CHAIRMAN: I declare the motion lost.

Mr. CLEAVER: I move my amendment now.

The CHAIRMAN: You move it now as your resolution, I presume. You will move an amendment to the section as it now stands.

Mr. CLEAVER: Yes.

The CHAIRMAN: Mr. Cleaver moves: that section 2 be amended by adding thereto the following: Provided that no capital stock shall be issued for accumulated profits or any consideration other than actual cash.

Now, before you vote upon the amendment, Mr. Finlayson has just come in, and I would like him to have an opportunity of reading the amendment because, obviously, he is interested.

Mr. KINLEY: Mr. Chairman, I voted against the motion in view of this amendment. I think if this company is going to be allowed to carry on at all, they should have ample funds for their business, and the motion seems to provide a very good way to get it. There is an aspect of business that I think has a connection. Every merchant in Canada—I think every merchant in my experience—has his book debts. Some are good and some are bad. From year to year you will go over your book debts and put some in the cemetery ledger, and then you will write them off. With others you may say, "I think we can get something out of this if we just try." And you will call in the fellow who is slow to pay and say, "Now, you owe me \$100; if you can give me \$50, I will square this off. You can go somewhere and get \$50." He is an honest fellow and wants to pay his debts, but he has not got much money. Sometimes he goes to one of these companies and gets the money, and it gives him a chance practically to compromise with his creditors. It provides the money for the average man to compromise with his creditors. Take some businesses in this country; the auditors will write off 20 per cent every year for bad debts. I know in the garage business they consider that 20 per cent is not enough. If you go to buy an automobile—every big company that sells automobiles has got a finance company—it will cost you \$60 or \$75 to finance through the

finance company. In addition to that, they take a mortgage on your automobile and own it until the last dollar is paid. There is financing with perfect security and there are lots over 10 per cent. In going around Ottawa I talk to people about things that happen, and I was talking to some civil servants some time ago and I said, "How is it that so much of this money is loaned to civil servants?" They say, "You go in to these people and ask how much you owe, and you owe say \$500. Perhaps you can arrange to settle with these people for \$300 or \$250." They would arrange to get a settlement and get clear of their debts, and they will get this money. It performs a service. It performs a service to the business man of this country in that he is paid. I would accept to-day 30 per cent; if anybody gave me 30 per cent cash, I would say, "Take the bills." I know I have been the executor of estates. Take physicians, for instance. Say a doctor dies and he has got \$10,000 or \$20,000 on his books and you give it to a lawyer to collect. I will tell you if he has got \$20,000 on his books and you get \$5,000 out of the books you are doing splendidly. That is true of different businesses to-day in this country. We have gone through a depression. People are in debt, and if you can do anything—if there is a service that these people can perform to allow the poor man to liquidate his debts on a partial payment, it seems to me that that is clearly indicated as being advantageous. I do not like high rates of interest. The cost of this money is not in the interest rate. The cost of this is the set up of an organization to deal with people who are hard to collect from; and to deal with people, you must have that organization in order to get your money. I think 3 per cent is plenty for money. The rest is hazard or organization expenses. What influences my mind in this thing is this, It is prevalent in the United States and other countries; we have been doing it in this country. It was before the Senate of Canada. They are old and experienced legislators. I think they are men who will pass judgment very conservatively on matters of this kind. I would hate to see this thing not to be judged on its merits but become class warfare. I would hate to see that happen to this bill. I do not like to come in here and be just against the thing because I think I have a notion that such and such a thing is not so. We have a superintendent of insurance who comes here and says it is eminently in the interest of the public. We who must give our opinions quickly on matters of this kind after sitting here and listening to the discussion for a short time surely must be guided by the precedents and by the things that are supposed to be sound. For that reason I think that this clause, which says that their parent company will give them ample money to carry on their business and that it must be money, is sound. There is no water in it; it must be money. It does not mean they are going to take a lot of money out of this country. I think if we are going to do anything for them at all that this is sound. If we are against the bill, let us say so. But why filibuster on every clause, and do something that a business man—I as a business man do not like the way the lawyers go at these things.

Mr. JACOBS: Why lawyers? Why drag us into it?

Mr. KINLEY: You are all pretty near alike. It is my experience after twenty years of political life, that if you want to waste time around a conference table, get a group of lawyers. A group of business men will usually settle a thing very quickly, but you find technicalities. All this stuff that is brought out here does not seem to go to the bill and for that reason I did not come to this committee and attend here perhaps as I should have. I wanted to explain my reason for voting.

The CHAIRMAN: Thank you, Mr. Kinley. Now I propose that we first have a declaration of expression of opinion from Mr. Finlayson; and then after that,—the company, I presume has some interest,—let us hear the answer of the company.

Mr. WARD: Before Mr. Finlayson makes a statement, he can perhaps make two statements in one.

Mr. JACOBS: Perhaps if Mr. Finlayson makes a statement, it will not be necessary for you to make a speech.

Mr. WARD: It may or may not be, Mr. Jacobs. But I was quite impressed by the argument of Mr. Leduc, and that is what prompts me to rise. I want to ask Mr. Finlayson—he was not here when Mr. Leduc spoke, but in brief Mr. Leduc's argument was that we would perhaps be placing ourselves as members of parliament in a more or less vulnerable position if we passed this act as it now stands, with special reference to clause 2, wherein we would grant this company the right to go out and increase their capitalization by four and a half million dollars, giving them then another perhaps unwritten right to come back to parliament next year, and say, "Now, here is a vested interest. We have increased our capitalization and you permitted us to increase our capitalization by four and half million dollars, and we have gone out and sold the stock to the Canadian public—I do not know whether this stock is placed in Canada or not—but at any rate, we have increased our capitalization by four and a half million dollars." And then you come back next year—the stockholders, for example, may come back next year and with a perfectly legitimate argument say, "We put our money into this business under the laws of Canada with the protection of our Canadian Act of Parliament, and now we want your protection for this investment." When Mr. Finlayson speaks, I would like him to give his views as to the fact. I know that Mr. Finlayson is not a member of parliament. He is an official and a very efficient official of a department, one in whom I have implicit confidence. But we who have necessarily our finger on the pulse of public opinion in Canada, who in our mail every morning or almost every morning find letters from our constituents protesting and continuing to protest against what they believe to be vicious legislation, iniquitous—I met a man the other day, only yesterday..

The CHAIRMAN: Mr. Ward, you are asking Mr. Finlayson a question.

Mr. WARD: I will conclude in a moment, Mr. Chairman. This man I met yesterday remarked regarding this bill, "Surely you are not going to pass that iniquitous bill that is now before parliament." And he was referring to this bill we are now discussing. I hope Mr. Finlayson when he speaks will make that point abundantly clear from his experience as an official of the department, one who has been head of the insurance department for a long number of years, so as to clear up the apprehension that does prevail, I am sure, in the minds of a lot of members of this committee.

The CHAIRMAN: Mr. Finlayson.

Mr. FINLAYSON: Mr. Chairman and gentlemen, I must apologize for not being here, but I had to attend a similar committee in the Senate which lasted a little longer than I thought it would. I have seen this amendment, and dealing particularly with section 2 of the bill, I think I have already expressed my opinion that I see no objection to it. I think there is no greater vested interest created by the Household Finance Corporation of Chicago being permitted to pay in two or three millions more in the form of capital stock than would be created if they are permitted to loan two or three millions more to the Central Finance Corporation. I think the vested interest created is exactly the same in either case. Mr. Ward suggests that we may be giving an implied guarantee to this company that if they find \$5,000,000 insufficient and they come for more, they must get it. I do not think there is any such undertaking given by this amendment. We say, "You have established your need for \$5,000,000 of capital." We say nothing as to the future. On a

subsequent application for increase, it may be granted or denied. I do not think parliament or this committee ties its hands in any way by making this increase. If the increase is not given, if this section is not passed, the company may continue to loan millions to this company. Then if there is any interference with it later on, it would have the very same right to come and say on the strength of this legislation that parliament has passed, "We have advanced two, three, four, or five million dollars." They would have the very same plea under those circumstances as they would have if they were permitted to pay in five million dollars as capital stock. That is my view. I cannot make it any stronger than that. Should I deal with the amendment?

The CHAIRMAN: Please.

Mr. FINLAYSON: I see no objection whatever to the amendment. I would not say that it is necessary, because we have become so used to the fact that loan companies, insurance companies and trust companies know nothing about watered stock. There is no such thing in any of our dominion insurance, loan or trust companies. They issue stock at the par value, fully paid or partially paid; and if not fully paid, subject to call, and the payment must be actual cash. I am quite sure that is what would happen today. I cannot see that the company will take any objection to this, and I do not see any objection to it. The only words that I might think superfluous are the words "for accumulated profits". That might, as it reads, prevent the company from converting its reserve funds—

Mr. CLEAVER: That was my object.

Mr. FINLAYSON: —into capital stock, or declaring a stock bonus.

Mr. CLEAVER: That was my object. I think in companies of this nature the record should be kept absolutely clear.

Mr. FINLAYSON: Yes.

Mr. CLEAVER: And that if they wish to take accumulated profits and issue stock for them, it should be done in the strictly roundabout, regular way of declaring dividends, paying out the money in dividends and then subscribing for stock.

Mr. FINLAYSON: I think so. I think that would be permitted. This company, instead of declaring a stock bonus to the amount of its reserve fund, would pay out the reserve as a dividend and call it back as capital stock.

Hon. Mr. STEVENS: Which makes the whole amendment meaningless, superfluous, useless and senseless.

Mr. CLEAVER: You can vote against it.

Hon. Mr. STEVENS: I certainly will.

Mr. FINLAYSON: I do not think it is watered at all. I think it is actual cash, but it is done in that particular way.

Mr. MARTIN: Would not the words "for any consideration" take care of that? It is not superfluous, is it?

Mr. FINLAYSON: I do not say the whole amendment is at all superfluous. For instance, a company might issue capital stock against some sort of service or against a plan to be supplied. One of our provincial companies that I know of has done that, has issued all its capital stock against a loan plan supplied by the promoters. They provided that system and they got capital stock in exchange for the system. This would prevent absolutely anything of that kind.

The CHAIRMAN: Mr. Walker, do you wish to be heard?

Mr. WALKER: I am instructed that the company has no objection to this. They take exactly the same stand as Mr. Finlayson.

Hon. Mr. STEVENS: Mr. Chairman, I think I anticipated in my own mind exactly the answer Mr. Walker would give. Why should they object? There is nothing in it to object to, nothing whatever. Mr. Reid very frankly stated yesterday that the loans advanced by the American company were advanced in cash. That is his declaration on oath, and I accept it without any question. He also stated that the surplus earnings, which are very material, had been carried into reserve, and they are there as reserve. In the ordinary procedure it is quite easy to see what would be done. It is very simple. The company would convert its loan into stock. It could be done by the exchange of cheques, as far as that is concerned, or any other way. It is a very simple procedure. Then, in regard to these reserves the chances are for a very material time the company would maintain the reserve because it shows strength, and all the rest of it, and attracts confidence to the company. It is perfectly legitimate and perfectly all right. But if the company wished to convert its reserve into stock they could do so under this amendment without any difficulty whatever. The Canadian company would simply pay, in the form of dividends or any other way, to the parent company, and deplete its reserves. Naturally, they would not deplete all their reserves. No company operated by gentlemen of common-sense would do that; but they could pay out a portion of their reserves, and then the parent company send a cheque over and get stock for it. So the amendment really is just one of these pleasant little gestures that gives on the face of it a little evidence of interest and care for the poor borrower, but is as meaningless as words written on paper can be.

Mr. BAKER: It is not injurious.

Hon. Mr. STEVENS: No; it is quite innocuous, and it could not be injurious.

The CHAIRMAN: Is there any objection to taking a vote?

Hon. Mr. STEVENS: Yes; I am not through.

Mr. VIEN: I should like to see that provision in the company law.

Hon. Mr. STEVENS: Yes; but I would put teeth in it, and there are no teeth in it, none whatever. I would put some good teeth in it.

Mr. CLEAVER: Suggest what the teeth would be.

Hon. Mr. STEVENS: I am not suggesting, Mr. Cleaver, matters for you to carry out. I am sorry Mr. Kinley left.

Mr. JACOBS: You would not be in favour of putting false teeth in it?

Hon. Mr. STEVENS: No, real teeth. Mr. Chairman, I should like to refer to the comments made by Mr. Kinley—I am sorry that he has left his seat. Mr. Kinley referred to the—

The CHAIRMAN: Mr. Kinley said he would be back in a few minutes.

Hon. Mr. STEVENS: Yes; I cannot wait. He referred to the filibuster that was carried out here against this bill. No one has taken a more effective part in it than I have. I am not objecting to the term "filibuster" if hon. members choose to use it; but I should like to say this: for the last twenty-three years I have been in parliament, and I have consistently taken a position in regard to this clause in connection with money lenders. I presented to parliament in 1914 an amendment to the Money Lenders Act cutting the rate of interest from 12

per cent to 10 per cent and putting some more restrictive clauses in the bill. My bill was not accepted, but I mention that in reply to the suggestion that this is a filibuster, and also in reply to the statement by Mr. Kinley that we come into the committee and in a few minutes have to make up our mind, and therefore cannot possibly be competent to do so. Well, other members can speak for themselves, but I rather disclaim the suggestion of any incompetence in dealing with this subject, because I have studied it for many years.

MR. BAKER: Did he not say we could not be as competent as our officer? He referred to our officer.

HON. MR. STEVENS: That is what he said.

MR. BAKER: It is quite different.

HON. MR. STEVENS: Then he said, "I prefer to take the opinion of the superintendent of insurance rather than give an opinion hurriedly." I am quoting his words, as I jotted them down. Now, I am not objecting to the superintendent of insurance. I have known him longer, I suppose, than any member of this committee and have been in committees where he has advised committees for a longer period, perhaps, than anyone here. I respect his opinion; but, Mr. Chairman, I do not propose to allow it to be suggested without protest that a committee of this kind must subject its opinion to the opinion of the superintendent of insurance, although, as I said a moment ago, in his absence—he is now back—I have the profoundest regard for Mr. Finlayson's opinion. In saying that I am not reflecting on him. He is an officer of the government, and a competent officer; but it is our opinions that must prevail here.

Now, another suggestion was made by the mover of this amendment to which I take exception. It has been suggested several times that this class of business is distinctly in the interest of the poor; it gives facility to the borrower and the bill is in favour of the poorer class of borrower. Now, Mr. Chairman, are we, if that reasoning is to prevail, again to assert and to establish by legislative action that any representative borrower must in the future look upon the two per cent rate as the best thing that this country can do for him, because that is virtually what we are saying. I have been arguing for years, and I am still arguing, that we as a parliament are derelict in our duties in not finding for the poorer borrower better treatment than that. I admit that in the face of the practice that we know as the loan shark, this class of company is preferable. No one with any sense at all would say otherwise; but to say that it is in the interest of the borrower, and this facility is designed to be of assistance to the poor borrower, is a doctrine that I will not subscribe to, and as long as I am able to protest against it I intend to do so. And I propose further to follow that procedure in the future, if I have opportunity, until we get a better system and more effective loans. Now, I do not wish to detain the committee longer on that but perhaps, at this stage, Mr. Chairman, I might ask one or two questions because obviously the clause is going to be considered.

ARTHUR P. REID, recalled:

By Mr. Stevens:

Q. Mr. Reid, I should like to ask these general questions. How many employees have the company?—A. 92, sir.

Q. How many are men and how many are women?—A. 58 men and 34 women.

Q. Have you with you a statement of the salaries of the officials of the company?—A. I have not a detailed list of salaries, Mr. Stevens. I gave information on salaries, at a previous meeting of this committee that was

[Mr. Arthur P. Reid.]

satisfactory. I do not know whether you were here or not. I mentioned my own salary, and I gave the average salaries.

Q. Would you give, please, the salary of the top half dozen?—A. Yes, I would be glad to give that. My salary is \$12,000 a year.

Q. As what?—A. Vice-president and general manager.

Q. Yes?—A. The next highest salary is \$5,000 a year.

Q. For whom?—A. The senior branch manager.

Q. Resident?—A. Toronto.

Q. Yes?—A. The next highest salary for branch supervisor, \$4,500 a year.

Q. Resident?—A. Toronto.

Q. Yes?—A. The next highest salary is \$3,600 a year.

Q. Yes?—A. Public relations representative, resident in Toronto.

Q. I think that is sufficient.—A. The average salary is \$1,400.

Q. For what?—A. \$1,452 per employee. The minimum salary is \$100 per month for male employees and the minimum salary for girls is \$65 per month.

Q. That is a very satisfactory answer, thank you. Now, Mr. Reid, yesterday I was asking you to break down the \$93,601 bad debts reserve, and you did so. I am not complaining that it was not complete. I notice you appear not to have full information, but I have before me a document that is filed. I do not know how it is described, but it is a duplicate to the Department of Finance and it is headed "The Central Finance" and contains much the same information as is in here. I notice in this document a statement—

The CHAIRMAN: What page?

Hon. Mr. STEVENS: There is no number on the page. It is on page 4.

Mr. FINLAYSON: That is the loose schedule, annual statement.

By Hon. Mr. Stevens:

Q. On page 4, headed "Reserves" and obviously referring to the bad debt reserve, because I see the figure \$93,601.26 in it, which corresponds to the figure in the blue book giving the statement as at December 31, 1936. I think that will identify it. Now, this statement is as follows: "Balance at the end of the year \$53,371.59." Then, the next item is "increased by amount transferred from profit and loss \$62,695.86." Then the next item is "Increase due to accounts purchased \$995.72." The total of that is given as \$117,063.17. At that point I should like to ask this question: in your evidence yesterday you said that part of this account may have been affected by accounts that you purchased. Sometimes you purchase the accounts of other companies at a very substantial discount and very often, possibly, winning on them where you bought them at an advantageous price. You recall that?—A. Yes.

Q. According to this statement the increase in that account due to accounts purchased was \$995.72 out of \$117,063.17. You admit, I think, Mr. Reid, that it is very small?—A. I can explain that, sir.

Q. Yes?—A. In that particular record that \$995.72 does not represent the entire revenue to the company by way of accounts purchased at a discount.

Q. Where would it appear?—A. It would appear—I know it did. That is a reduction in the reserve that was set up at the time that such accounts are first purchased to provide for rebates on prepayment of these accounts. We were glad to be able to do so. But we did nevertheless pay rebates on these accounts. We bought some of this paper as I explained at its face value even although the paper had been discounted and the vendor of the paper, the company who sold the paper to us, had taken their profit out of that. Nevertheless, I think you can appreciate our desire to see that paper put in legal form as early as possible, and put on our contracts; and in many cases we offered premiums to them by way of special rebates whereby they saved money because

of having become associated with us. And at the time of purchase we set up a reserve for the accounts that we thought were bad, and we set up a reserve to take care of these potential rebates that we would take.

Q. Yes?—A. —if the paper had all been liquidated. And there was another cause for that reserve that came in then as a credit back to the profit and loss account, as an increase due to accounts purchased. That is just the residue of a purchase at one particular office.

Q. You will admit though that part of your business did not materially affect this bad accounts reserve account?—A. That \$995, that particular item did not, no.

Q. I mean your business in that, that portion of your business?—A. There was quite a substantial recovery on some of that stuff.

Q. There was not much loss?—A. If you buy an account at 10 per cent and clear 20 per cent, then of course you can't have any losses.

Q. Quite so. I am simply asking you to deal with that portion of your business. It did not materially affect this reserve?—A. I am sorry, Mr. Stevens; I do not wish to appear evasive; but I am not clear on the question, which portion of the business do you mean, the portion of the business that we buy from other companies?

Q. I will try to make it clear, Mr. Reid: Yesterday you cited this section of your business, namely the purchase of accounts from other companies at advantageous arrangements and prices?—A. Yes.

Q. And the suggestion was made that it was a very material amount and would affect this reserve account very substantially, and now I am showing you from your own statement that the increase due to accounts purchased is \$995.72; and I am simply asking you, and do you say, that it does not materially affect that account when the total of these items is \$117,063.17?—A. I would like to consider that a little further, Mr. Stevens. I cannot subscribe to what you say there.

Q. All right. It does seem to me obvious; however, I am not going to worry you by pressing the matter?—A. I cannot keep all these figures clear in my mind, but I have tried throughout to be as accurate and complete in detail as I possibly could.

Hon. Mr. STEVENS: The figures speak for themselves.

By Mr. Finlayson:

Q. Did you take over any companies in 1936?—A. Yes, we did, sir.

By Hon. Mr. Stevens:

Q. Perhaps it might be interesting to know what companies you did take over in 1936?—A. Yes, we took over two companies in Windsor; the Regal Finance Corporation and the Premium Finance Corporation.

Q. What was the amount of the loans outstanding in each of these companies when you took them over?—A. They were under joint ownership and they were bought collectively.

Q. Yes?—A. The aggregate figure was about \$56,000.

Q. For the two companies?—A. For the two accounts combined.

Q. They had outstanding loans of about \$56,000?—A. Yes.

Q. Now, going back to this statement, I have mentioned the total of the reserve as \$117,063.17?—A. Yes.

Q. And then below that appears a statement reading as follows: Decreased by amount used to write down assets, \$23,461.91; leaving a balance as indicated of \$93,601.26, as a reserve for bad debts. These figures are correct are they not?—A. Yes.

[Mr. Arthur P. Reid.]

Q. Now, the amount used to write down assets, \$23,461.93; the effect of it simply results of course in the enhancing of the intrinsic assets as against the formal book value?—A. Yes.

Q. And it would constitute of course more or less of a legitimate but hidden reserve to the owners of the company?—A. I would not say so. We are not writing them off if we are regarding them as assets.

Q. That is perhaps a question. Can you tell us what the amount of \$23,000 was written off of? What were the assets that were written down by that amount?—A. I could supply you with that information. It would just be a bunch of names, and account numbers and balances. But this charge up to us was made after giving the matter careful consideration and thought.

Q. You are not suggesting that that was done because these accounts were bad?—A. Indeed I am.

Q. Then, why did you not deduct it from your reserve? Do you suggest then that that was an item which was a write-off of bad debts?—A. Yes. That is naturally charged against reserve.

Q. Why don't you say so? You say here, amount used to write down assets. Why didn't you say it was the amount written off bad accounts?—A. That is not my form, Mr. Stevens; that is a form provided by the Superintendent of Insurance and I am not responsible for it.

Q. All I am getting at is this: is this item of \$23,461.91 written off of bad debts?—A. Yes.

Q. It is?—A. Yes.

Q. Is it the total amount written in in 1936?—A. Yes, sir.

Q. Well, that is all right. Now, I want to turn to this: Yesterday you said—and it is obvious from the statements applied, I merely want to bring it to your mind for the moment—that the average loan during 1936 was \$169?—A. Yes.

Q. That is true, isn't it?—A. Yes.

Q. May I ask you to agree that that indicates that the borrowers are generally in what might be called the poorer classes?—A. No. First I better qualify that; what do you regard as the poorer class? That is a matter of opinion.

Q. I am thinking of persons who are unlikely to have material assets which would enable them to go to a bank or any institution like that and get credit?—A. Well, it may reasonably be assumed that people are not going to come to us and pay these rates if they have collateral which is acceptable to a bank where they could get the money at 6 per cent.

Q. I do not want to quibble over this?—A. I can tell you what the average income of a borrower is if that would be of interest to you.

Q. Very good, and let me ask that on a specific class. I have before me, for instance, the class of loans from \$50 to \$99 which account for a total of 10,396 loans out of your total of 37,071 made during the year, involving \$770,556, or an average of \$74. What class were they?—A. I do not know whether I can go that far. That is working it down rather fine and it would take a whole army of statisticians to figure that out.

Q. I am taking your own statement?—A. I know you are. The only figures I can give you would be just the results of tests taken at random. When you ask me to give it in respect to a specific class range you are working it down pretty fine.

Mr. EDWARDS: Pardon me, Mr. Stevens; would you mind if I asked Mr. Reid a question at that point?

Hon. Mr. STEVENS: Certainly not; go ahead.

By Mr. Edwards:

Q. I just wanted to ask you a question about the average loan. You say it is \$169, Mr. Reid. Do you know what the average loan is in the United States, comparable to this?—A. Just a minute, I think I have something on that. That amount would vary with varying statistics. However, I think I can give you some information on that.

Mr. MARTIN: Isn't it around \$100?

Hon. Mr. STEVENS: I do not know. You can indicate any figure you like and it will not interfere with my point at all. I do not care what you say.

Mr. JACOBS: What has become of Mr. Cleaver's motion?

The CHAIRMAN: Mr. Stevens is speaking to it.

Mr. JACOBS: He is speaking to it?

The CHAIRMAN: Yes. Is that right, Mr. Stevens?

Hon. Mr. STEVENS: Yes, Mr. Chairman.

The WITNESS: The comparable figure in the United States is \$164, Mr. Edwards. There is a slight difference when you speak of average loan. That is on a discount plan and includes the cost of the loan. When they are speaking of the average loan it is on an interest plan and does not include any interest in that figure. We should make a deduction from the \$169 in making the comparison.

By Mr. Edwards:

Q. In any case it would be in the neighbourhood of \$200?—A. They are fairly small in any case.

By Hon. Mr. Stevens:

Q. If you will pardon me, Mr. Edwards, Mr. Reid has answered the question from his record, and that is really what we are interested in. Now, going back to this statement, if I may; in this statement it shows that loans from \$50.00 to \$90.00 are 10,396 in number of accounts, and the amount was \$770,556, and the average loan was \$74.00?—A. Yes.

Q. Loans from \$100.00 to \$199.00 were 16,672 in number with \$2,351,856 involved; or an average of \$141.00. Loans from \$200.00 to \$299.00 were 4,681 in number, involving \$1,105,368; or an average of \$236.00. Loans from \$300.00 to \$399.00 were 3,831 in number involving \$1,270,560; or an average of \$332.00. Loans from \$400.00 to \$499.00 were 550 in number, involving \$250,800; or an average of \$456.00. Loans from \$500.00 and over were 941 in number involving \$520,446; or an average of \$553.00; the total being 37,071 in number involving \$6,269,586; or an average of \$169.00 per loan.

The CHAIRMAN: Mr. Stevens, is it necessary to repeat that? The committee has that information before it.

Hon. Mr. STEVENS: I want to ask this question.

An Hon. MEMBER: Has it any relation to the point now before the committee?

Hon. Mr. STEVEN: You are always at liberty to raise a point of order. I am always subject to the chair.

[Mr. Arthur P. Reid.]

By Hon. Mr. Stevens:

Q. I wanted to ask a question to which Mr. Reid was not able to give a specific reply, but with respect to which he volunteered to give an answer in a general way. If you would indicate what was the type or class of borrower that borrowed these sums I would like to have it, in the smaller brackets if possible?—A. If you would just be a little more specific, Mr. Stevens, and ask me just what classification you would like to have I would do my best to give it to you as closely as possible.

Q. I would like first the classes that involve the 27,000 out of that total of 37,000?—A. Would you mind telling me just what ones you want me to tell you about?

Q. I want the incomes per month of those borrowers. That is what you volunteered to give.—A. Yes. The average income of borrowers would be \$140. Now, I am explaining that it was a test made in the month of December—per month—that is that one month. You can appreciate that some men move to different incomes from day to day. Tests were made in December and we found the average income to be \$140 for the borrower per month. Now, I can give you a break-down by salary brackets showing the percentage of the total number of loans in the various salary brackets.

Q. That would be useful, yes?—A. Between \$601 and \$1,200 per annum, 26.46 per cent; between \$1,201 and \$1,800, 40.98 per cent; between \$1,801 and \$2,400, 19.36 per cent. Those are the three classes I think you had reference to where the bulk of the business would be.

Q. Now, does that mean—what were the first two?—A. 26.46 per cent and 40.98 per cent.

Q. That is 66 per cent of your borrowers have a salary under \$1,800?—A. \$1,800.

Q. Yes. That is quite satisfactory?—A. The big percentage there is between \$1,200 and \$1,800. There is a much bigger percentage between \$1,200 and \$1,800 than there is under \$1,200.

Q. Under \$1,200 the figure is 26 per cent?—A. Between \$600 and \$2,400 are 86.80 per cent of our borrowers, but 60 per cent of our borrowers are between \$1,200 and \$2,400.

Q. Yes. 26 per cent are under \$1,200.—A. Yes, under \$1,200. That is what I meant. I did not regard this as a poverty class.

Q. No. The record will speak for itself in that regard. Now, the totals on loans granted last year, to use your own language, loans made during the year, amounted to \$6,269,586?—A. That is right.

Q. Now, below that I find a figure to which I wish to direct attention and ask you a question. It has reference to collection of principal during the year. I would like you to note that "collection of principal during the year." It is (A). It is at the foot of this statement I am reading?—A. Oh, yes, I am sorry, I have it now.

Q. "Collection of principal during the year (A) extinguishing the loan \$5,324,274." Is that correct?

MR. FINLAYSON: Those two are bracketed.

HON. MR. STEVENS: Quite so, but that item is correct under that heading?

THE WITNESS: "Extinguishing the loan and other". The two are bracketed.

HON. MR. STEVENS: There is nothing here under "other" or any indication.

MR. FINLAYSON: There is a bracket.

By Hon. Mr. Stevens:

Q. Will you tell us what is the "other"? I do not want you later on to remind me that the "other" includes some large item, because I am taking the document as I read it. Will you please tell me what "other" means?—A. I think Mr. Finlayson can explain that better than I can.

MR. FINLAYSON: This is not Mr. Reid's form, this is a form prescribed by the department. We drew it up two or three years ago for the sake of getting this break-down of the various items. Some of the companies—I do not know whether this company was one or not—suggested that it was very difficult for them to make that separation, and we agreed with all the companies that these two items might be combined.

Hon. Mr. STEVENS: What does it contain?

MR. FINLAYSON: The original intention of this was to show what amount of principal was collected during the year—

Hon. Mr. STEVENS: Yes. That is what I want.

MR. FINLAYSON: —as payment on account, leaving still a balance unpaid. The first would be extinguishing the loan; where the payment collected during the year completely repaid the loan; then "other" would be the payment received on loans which were not extinguished within the year. I do not see very much point in insisting on the distinction; it has never been raised.

By Hon. Mr. Stevens:

Q. I am going to ask Mr. Reid to accept my question based on the total figure \$6,269,586 as repaying the loans made during the year?—A. Yes.

Q. Now, at the end of the year you had outstanding \$3,115,033.38. That is correct, is it not?—A. Yes.

Q. Now the comparison of these two figures, Mr. Reid, would indicate that the average term of your loans is about six months—a little less than six months. Do you agree with that?—A. Yes, I agree there has been a turnover twice during the year. Capital has been turned over twice. That was borne out by the statement I made yesterday. 7 per cent discount becomes 14 per cent.

Q. No. I do not want to be involved in that. I am asking you to agree to this, that these figures indicate that the average term of the loans made was really six months?—A. The average term of the loans made?

Q. No. The average period of time that the loan was outstanding was six months?—A. No. The borrower had the use—that is hardly relevant.

Q. It is relevant to me.—A. I used the wrong word, I am sorry. It simply means this, that when a man borrows \$100 he has the use on an average of \$50 over the year.

Q. That is not the point applying here at all. Let me put the question to you again. You had a turnover in the year of over \$6,000,000. That is clear, is it not, and admitted?—A. Yes. That is the volume of business done in the year.

Q. All right. Then you have loans outstanding at the end of the year of \$3,000,000 odd. That is admitted too, is it not?—A. Yes.

Q. My submission to you is this, that of your borrowers many of them paid their loans off in advance, and by that and other methods—I do not know what—the average length of time that loans were actually outstanding was really about six months?—A. I could only guess at that, Mr. Stevens. It is hypothetical absolutely. I think Mr. Finlayson's statement gives a very accurate statement of that. It shows the loans at the beginning of the year—the amount at the beginning of the year.

[Mr. Arthur P. Reid.]

Q. I will ask you this: how long does the average loan remain outstanding?
—A. I do not know.

Q. You said that yesterday. That is the reason I am trying to get at it. This is important, very important, as I will show you in a minute.—A. Yes.

Q. I cannot quite see why you should resist the deduction I make?—A. I am sorry, I am not resisting anything. I think that is very unfair.

Q. I do not want to be unfair?—A. I do not think the committee can suggest that I resisted giving any information.

Q. I do not say you are resisting, because I complimented you on your frankness and I meant it; but I showed you a loan paid back in three months and others in eight or nine months?—A. Some in eighteen and twenty-four months.

Q. I say to you: don't these figures which I have quoted from your own statement indicate that the average time loans were outstanding was six months?—A. No. I do not think so at all.

Q. I am going to show this committee that this is very important, and this committee ought to have a statement from the company, capable of verification, indicating just how long these loans are outstanding?—A. That would be a tremendous job, Mr. Stevens.

Q. If you take these figures, do they not demonstrate the accuracy of my deductions?—A. No. I claim it does not.

Q. Where am I out in that?—A. We have to consider total balances at the end of the previous year and add on the loans made during the year and deduct those paid out, and you have a balance remaining. That is all that proves. It does not prove the average length of a loan at all.

Q. You are reasoning on something entirely foreign to my question?—A. I am reasoning to the best of my ability and experience.

Q. Your experience is very wide; I admit it. Now, I have asked you a question and you say you cannot answer what the average outstanding term of these loans is. I find in your statement that you had a turnover in the year of \$6,266,000 odd. That was loans made during the year, but I have not got loans outstanding?—A. That is the amount of the loans made during the year.

Q. Yes.

Mr. VIEN: May I interject. Would the amount outstanding on the 31st of December in a year have any bearing on the average time that any loan or the bulk of the loans were outstanding?

Hon. Mr. STEVENS: I do not think so.

By Hon. Mr. Stevens:

Q. I do not want to delay the committee or to press this matter; but will Mr. Reid make an estimate of how long these loans are outstanding?—A. No, sir. I do not care to do that.

Q. All right. Will you answer this: will you agree that your loans on the average are outstanding much less than a year?—A. No. I do not care to agree to that, because much less—what you might consider much less I might not. I do not know what you mean. If you want to say six months or eight months or nine months or ten months, that is a different thing.

Q. Will you agree that the average term would be—A. I say it is less than twelve months.

Q. It is less than twelve months?—A. Yes.

Q. Would you say it would be less than ten months?—A. No. I do not care to go any further than that. It is straight guess work, and I have done enough guessing now.

Q. I am not asking you to guess.

The CHAIRMAN: Do we need to press the point any further. It seems to me the witness has given you the best information he can.

Mr. JACOBS: Perhaps Mr. Finlayson can explain this.

Mr. FINLAYSON: I think Mr. Stevens is absolutely right in trying to get the information, and I think Mr. Reid is doing the best he can to answer the questions. I think it depends on this: you say the average time for which a loan is outstanding; but must you not connect that up with the average amount outstanding. For instance, take a loan issued originally for one year and repaid in equal monthly instalments and paid according to contract. That loan is outstanding in one sense the full year. There is some of the loan outstanding for the full year. But the average amount outstanding throughout that year is about 50 per cent of the loan. That was one way of regarding it. On the other hand you might regard it in this way, that the full amount of the loan is on the average outstanding about six months. But to say that the full amount of the loan may be regarded as being outstanding an average of six months—

Hon. Mr. STEVENS: No, no.

Mr. FINLAYSON: —is not at all the same thing as to say that the loan is outstanding only six months because the balance is on the books for the full year.

Hon. Mr. STEVENS: Would Mr. Finlayson agree to this, that the average loan of this company is repaid within a period of six or seven months, approximately?

Mr. FINLAYSON: No, I would not agree with that at all, because I really do not think that is what you want to get at.

Hon. Mr. STEVENS: I know what I want to get at.

The CHAIRMAN: Mr. Stevens, are you referring to the average amount loaned?

Hon. Mr. STEVENS: No, I want to know the term of the loan—not the original term, the term it is actually outstanding.

Mr. FINLAYSON: I quite agree that Mr. Reid has gone as far as he can possibly go when he says that the average loan may be outstanding something less than twelve months, because the prepayments may more than counter-balance the deferments. That is as far as Mr. Reid could go.

The WITNESS: That is as far as I can go.

Mr. FINLAYSON: I would not like to go any farther.

Hon. Mr. STEVENS: I think we can go a little farther. I brought in here yesterday one that was paid in two months.

The WITNESS: Yes.

By Hon. Mr. Stevens:

Q. Do you have many that are paid off in two or three months?—A. No, I would not say many in comparison to the outstanding.

Q. Not in comparison to the total?—A. No.

Q. But I mean, would there be 100 or 500?—A. I could not tell you. I have no records on that at all. From an operating standpoint it is not of interest to us.

[Mr. Arthur P. Reid.]

Q. Well, Mr. Chairman, I say this—or at least I put this to Mr. Reid—Mr. Reid does admit that the loans are outstanding less than a year.—A. Yes, some of them.

Q. Why did you just yesterday say that you would refuse to loan to anyone for a period less than a year?—A. No. Just a minute. That is hardly right. I did not say I would refuse to loan to anyone for less than a year.

Q. Yes, you did.—A. I think I was asked, "Are all your loans made for a period of one year or are they ever made for less than one year or ever made for more than a year?"

Q. And you added, "No, we will not loan for less than a year." That is the reason I would like to have the record.—A. That is quite right. Our loan contracts are all drawn for one year.

Q. And you refuse to loan for less than a year?—A. A customer has the privilege of paying off any time he wants to.

Q. That is not the point. You refuse to loan— —A. All right, I will answer you.

Q. You refuse to loan for less than a year?—A. Yes.

Q. All right. Then when the customer makes a loan with you, you advise him that he may pay it off at any time?—A. Yes.

Q. You said that yesterday.—A. Yes.

Q. I think that is correct.—A. May I explain why we draw these contracts for a year?

Q. It is immaterial.—A. It is very material.

Mr. CLEAVER: I think the witness should have the privilege of explaining.

Mr. VIEN: Yes.

Hon. Mr. STEVENS: I have no objection.

The CHAIRMAN: Mr. Stevens does not object.

Hon. Mr. STEVENS: It is not material to what I had in mind.

The WITNESS: One of the borrower's prime concerns when he comes to us is to get that money to accomplish some definite purpose and to be able to repay it as easily as possible. Now, he knows what his income is. We can figure out a budget for him. But he wants to make these payments just as painless as possible, and we assist him to do that. Now, we believe that we should not encourage him to stretch out the repayment of that debt for too long a period, but we know that the twelve months is a popular payment plan. Nearly everything sold on the instalment plan is sold on a ten or twelve months plan. He is familiar with that, and he expects to pay it off in twelve monthly payments. It is not a case of us forcing a plan on the public. We give the public the plan that they seek. And it is for that reason, to keep these payments within the paying capacity of the borrower, that we make loans for a period of twelve months. I further explained yesterday, and I know you are getting at this rebate question, that we have adjusted our system so that the borrowers only pay for the actual time they have had the use of the money at the rate of $2\frac{1}{2}$ per cent per month maximum—for the actual number of days they have had the use of the money, and they are repaid everything else that we have taken by way of discount in the first place.

By Hon. Mr. Stevens:

Q. Just elaborate on that for a moment. A man borrows from you for a year, and you charge him a discount covering interest and all charges?—A. Yes.

Q. That is a given figure?—A. Yes.

Q. And he pays the loan back in three months in full?—A. Yes.

Q. What rebate do you allow him of charges?—A. We keep back as our earned income $2\frac{1}{2}$ per cent per month on the balances that have been in his possession, if you follow what I mean—the actual cash that has been in his possession. Let us take a typical example of a \$300 loan. We held back in the first place when that loan was made, \$34. The borrower got the use in cash of \$266. Now, his balance is \$266 for one month. That is what he has had the use of. We figured $2\frac{1}{2}$ per cent interest on that, $2\frac{1}{2}$ on \$266—\$5.32 and \$1.33, \$6.65.

By Mr. Vien:

Q. You mean interest and service charges?—A. That is everything. That is what we regard as what we have earned, \$6.65.

By Hon. Mr. Stevens:

Q. Yes?—A. And we apply out of the first \$25 payment—\$6.65 is interest; we set that aside for interest and apply the \$18.35 on account of the principal. Now, the next month he has had the use of \$300 less \$18.35.

Q. No, \$266.—A. Correct, \$266, less \$18.35. What is that?

Q. \$247.65.—A. \$247.65. We calculate $2\frac{1}{2}$ per cent on that.

Mr. FINLAYSON: \$6.19.

The WITNESS: \$6.19; and out of his \$25 payment we set aside \$6.19 on the interest side and and the \$18—

Mr. FINLAYSON: \$18.81.

The WITNESS: \$18.81 is deducted from the principal, bringing his principal balance down to \$229.

Hon. Mr. STEVENS: \$228.84.

The WITNESS: \$228.84; and figure $2\frac{1}{2}$ per cent on that.

Mr. FINLAYSON: \$5.72.

The WITNESS: \$5.72; a total for those three figures in the interest column—was it three or four months?

Hon. Mr. STEVENS: Three months.

The WITNESS: That comes to what?

Hon. Mr. STEVENS: It comes to \$18.56.

The WITNESS: He gets a rebate of everything between the \$34 we originally held back and the \$18.

By Hon. Mr. Stevens:

Q. Except another month's interest you have charged.—A. No, we are not doing that. I explained that to you yesterday. We have a perfect right to hold back three months' interest on our present set-up and we are not called upon to rebate any of the service charges or fees, but we are doing that.

Q. You submit that you rebate him that \$15.44?—A. Yes, the difference between whatever those two figures were.

Q. You did not do so in that loan I submitted here?—A. No. I am telling you that is before the amendment to the Loan Companies Act in 1934. If you would like me to give to the committee the full details of that loan, I will be happy to do so. It is quite an interesting story.

Mr. MARTIN: I think we ought to have that.

[Mr. Arthur P. Reid.]

By Hon. Mr. Stevens:

Q. The point I am coming back to is this: You do insist upon the borrower taking it for a year?—A. We insist on nothing. We do not insist on him taking the loan at all.

Q. No, but you will not loan him for less than twelve months?—A. The contracts are drawn for twelve months. If we took them for less than that, we would be accused of taking them for a shorter period to get bigger service charges. We are entitled to a chattel mortgage fee, and it would increase that chattel mortgage fee, and that would increase the rate materially if we took them for six months.

Q. You get a pretty good rate at that?—A. Yes.

Q. A pretty good rate at that.—A. Whereof $2\frac{1}{2}$ per cent I explained yesterday—

Q. Why should you not loan a person who wants to borrow for three months? Why should you not loan to him?—A. Mr. Stevens, to do that—we are obliged to collect our revenue by way of interest, to get in advance discount of service charges and fees. If we made a loan for three months, the dice would be stacked against the borrower. That chattel mortgage fee, for instance, of \$7—we are permitted to charge \$10. We have reduced it to \$7. Suppose we charged that \$10 for three months on a \$300 loan. That is like a discount of 3.33 per cent for twelve months; but applying that to three months, you have got a discount of 13 per cent. You see what I mean?

Q. Yes. Are you obliged to charge as high for a shorter term?—A. No. But that is the only way you can express it. And, after all, I think you will agree that it costs us as much to make a valuation of chattels if you are making a three months' loan as if you are making a twelve months' loan. It costs just as much to prepare your mortgage. It costs just as much to enquire into the circumstances of the borrower. Your expense is just the same whether you take a loan for three months or twelve months.

Q. You mentioned your cost of preparing the mortgage. Have you got the forms of these mortgages which you can file with the committee, and the forms of the notes you asked for?—A. I do not know if I have one in my bag or not, but I can supply them.

Q. These mortgage forms that you have are forms that are printed, I suppose, by the tens of thousands?—A. Oh, yes, these forms are printed forms. I have never suggested that there is a whole lot of expense in just drawing a chattel mortgage form.

Q. They are drawn up by a stenographer in the office?—A. The actual typing is done by a stenographer, yes, just the same as it would be done in a lawyer's office.

Q. But you can give the stenographer the figures, and that is done. There is no legal work about that, as far as the form is concerned?—A. It is the same work that a lawyer would perform in drawing a chattel mortgage.

Q. No.—A. Why not?

Q. Because it is an individual action by the lawyer and yours is routine. That is the difference, and a vast difference.—A. No, it takes time.

MR. MARTIN: It is routine with lawyers, too.

HON. MR. STEVENS: That is where the lawyers get the fees, but never mind that.

By Hon. Mr. Stevens:

Q. If a lawyer draws one instrument, there is his time and his office staff is taken up with that. Of course, they are incidental charges.—A. Mr. Stevens, we could not have this work done outside of our office by lawyers and evaluators.

Q. Certainly not.—A. Unless we had to pay them something around \$12 or \$15 per transaction.

Q. That is exactly the point I am making.—A. We provide the customer with a service on an average of \$6.40; and in addition to that, sir, in every loan that we make, we have to investigate two—we have got the cost of evaluating the security for two loans every time we make one loan.

Q. How is that?—A. Simply when you figure all the expense. It is part of the cost of doing business. If you are selling shoes, you cannot add your mark-up—you have got to provide for the customer who simply comes in and shops and goes out without buying as well as for the sale that is actually made. The man who buys a pair of shoes pays for the clerk's time and all the incidentals relative to unproductive sales.

Q. Yes. In all of this, your system has reduced it down to, shall I say, a perfect system of handling it?—A. Thank you very much.

Q. It is routine work for the ordinary paid officials of the company.

Mr. JACOBS: It is commercialized law.

The WITNESS: I would like to think it is perfect.

Hon. Mr. STEVENS: It seems to me it is pretty nearly perfect. I would suggest that. Now, I do not wish to detain you.

The WITNESS: We spent a lot of time on it.

The CHAIRMAN: What is the wish of the committee?

Hon. Mr. STEVENS: I wish to say before I take my seat that I shall vote against this motion.

The CHAIRMAN: Shall we put the motion that clause 2 be amended?

Mr. CLEAVER: Mr. Chairman, might I have your indulgence for just two minutes; because if I am going to be able to live with Mr. Stevens at all, I cannot let him carry on in the way he was abusing me half an hour ago. He has a perfect right to his own opinions as to whether this amendment is proper or not. But he has no right to get up and say that the amendment is meaningless and all that sort of thing. I suggest to him that he said that he would put teeth in it if he were making such an amendment. It does seem to me that he has always got a rabbit up his sleeve, and I would like to see it produced just once. If he could put teeth in it, and thinks there should be teeth put in it, and if he would put teeth in it, let us see some of the teeth.

Hon. Mr. STEVENS: Will you support a motion of mine?

Mr. CLEAVER: I am interested in two things: in the first place that there should be no water introduced into the capital stock of this company, and that the public should have a general assurance that there is no water being introduced into the capital stock of this company. In the second place, I am interested that the record be kept clear; that is that earned profits should not be ploughed back in, the earned profits should be declared in dividends in the regular way and should show as a dividend and as earnings. Now, if Mr. Stevens is not interested in either of these two things, he will have a perfect right to vote against this amendment, but he has no right to ridicule it.

The CHAIRMAN: We are now on section 2.

Mr. JACOBS: Do you accept the apology?

Hon. Mr. STEVENS: I accept.

Mr. JACOBS: Let us vote.

[Mr. Arthur P. Reid.]

Mr. DUFFUS: May I say just a word. I have been absent from the committee for the last hour but I notice the matter of water is being injected—

Hon. Mr. STEVENS: Not by me.

Mr. DUFFUS: It does not matter by whom. Let me say this very definitely, as sponsor of this bill if I thought there was any water being poured into it now or in the future it is off entirely so far as I am concerned.

The CHAIRMAN: That is all right. Shall the motion carry?

Mr. CLEAVER: Let us have a recorded vote.

The CHAIRMAN: What is your pleasure? Shall we have a recorded vote?

Mr. CLEAVER: Yes.

The CHAIRMAN: The clerk will call the names.

Mr. VIEN: Those in favour say "yes" and those against say "no."

The CHAIRMAN: The amendment is carried.

Hon. Mr. STEVENS: On a point of privilege I ask to be recorded as to the reason for my vote. It is this: to vote for this amendment implies an acceptance of the motion, to which I am absolutely opposed.

The CHAIRMAN: The vote now is on the original motion, I presume, as amended. What is your pleasure?

Some Hon. MEMBERS: Carried.

Hon. Mr. STEVENS: No.

The CHAIRMAN: Take the vote.

Mr. COLDWELL: On a matter of privilege I should like to have reported the reason for my apparent change. The reason briefly is this: I could not vote against the implied prohibition of watered stock; at the same time I am not in favour of increasing the capitalization.

The CHAIRMAN: I declare the motion as amended carried.

Mr. VIEN: You have an amendment before you, Mr. Chairman, to strike out certain sections in (2) and substitute in lieu therefor another one.

The CHAIRMAN: Yes. What is your pleasure?

Hon. Mr. STEVENS: Surely, you are not going to carry the sections in this way. This is one of the most important things that has been brought before a parliamentary committee. The promoters of this bill present a bill which passes the Senate and comes to us, and it has certain provisions. Now, the promoters—

The CHAIRMAN: It is about 1 o'clock. Shall we adjourn and meet at 4 o'clock this afternoon?

Mr. CLEAVER: Yes.

The committee adjourned at 12.50 p.m. to meet again this day at 4 o'clock.

AFTERNOON SESSION

The committee resumed at 4 p.m.

The CHAIRMAN: Gentlemen, we have a quorum. We have now arrived at section 3.

ARTHUR P. REID, resumes.

Mr. MARTIN: Mr. Chairman, before we proceed I have two documents which I would like to put in as exhibits. One was referred to the other day by Mr. McGeer as being the product of Mr. Forsyth and I have a printed statement also by Mr. Forsyth, and as Mr. Forsyth is to be before the committee to-morrow I think it would be well that as many members as possible have an opportunity of seeing these two documents. I shall put them in for that purpose.

(Typewritten document by Mr. Forsyth marked Exhibit 1).

(Printed documents by Mr. Forsyth marked Exhibit 2.)

The CHAIRMAN: What is the pleasure of the committee with regard to section 3?

Hon. Mr. STEVENS: May I ask if there is a motion before the committee?

The CHAIRMAN: The motion is in regard to passing section 3, I presume. Do we need a separate motion for each section?

Mr. CLEAVER: There is a motion to amend it.

The CHAIRMAN: We have not an amendment.

Mr. MARTIN: I move, as Mr. Duffus is not here, that Bill No. 58, letter C of the Senate, be amended by striking out sections 3, 4, 5 and 6 thereof and by substituting the following therefor:—

Paragraph (b) of subsection 1 of section 5 of the said act as enacted by section 2 of chapter 94 of the statutes of 1929 is amended by adding thereto as sub-paragraph (iv) the following:

Loans of
\$500 or less.

Aggregate
charge.

Not exceeding
2 per centum
per month.

Periods
of loans.
Prepayment.

“(iv) whenever the company, under authority of this act, makes a loan of five hundred dollars or less sub-paragraphs (i) (ii) and (iii) of this paragraph (b), shall not apply. Instead, the company may, with relation to such loan, make against the borrower an aggregate charge, expressible as a percentage of the principal money loaned, which charge shall be deemed to include all interest on the loan, all charges thereon or therefor of every nature and kind other than interest, all disbursements (except for registration fees as hereunder provided) made in connection with the loan and all other fees, charges or services whatsoever arising out of or incidental to the loan. Such aggregate charge shall not be wholly or partly deducted in advance and it shall not exceed two per centum per month on the amount or balance of principal money remaining owing from month to month, but any money actually disbursed as registration fees relating to the documents of loan and payable by law may be added to and treated as part of the principal money loaned. Such loans shall not be made for periods in excess of eighteen months and they may be prepaid at any time by payment of principal, any part of the aggregate charge accrued or owing and an additional payment of the aggregate charge for one month, in lieu of notice. Such additional charge shall not be payable, however, in case of the

[Mr. Arthur P. Reid.]

renewal or replacement of a loan. The company may make such loans upon terms that the principal of the loan shall be repaid by substantially equal monthly instalments, with the accrued aggregate charge on the amount of the balance of the loan from time to time owing, or that the principal and the aggregate charge of the loan shall be blended and paid by substantially equal monthly instalments, but in any event, the company shall plainly disclose in the document of loan, expressed as a percentage of the principal sum loaned, the amount of the aggregate charge payable per month."

Terms of
repayment.

Disclosure of
monthly rate
payable.

The CHAIRMAN: Have you a copy of the amendment, Mr. Stevens?

Hon. Mr. STEVENS: Yes, I have. With regard to the proposal of this motion which is before the Chair, it is not an amendment. In the first place, I suggest it is out of order as far as that is concerned, and it is not an amendment to section 3. It is a motion, a substantive motion proposing to strike out sections 3, 4, 5 and 6 of the bill. Section 3 of the bill now before the committee deals with the objects of the company and loans on certain securities prohibited. Section 4 deals with the rate of charge, endorsed loans and other loans. It provides for prepayment and deals with the question of additional charges and the matter of collateral agreements being prohibited, and further on in section 4 there is a reference to terms of the loan to be stated. It deals with the cancellation of documents on payment and receipts for payment. It deals with advertising and other business in the same office; it prohibits other business in the same office. It also refers to the actual amount of the loan and the charge to be stated, and to the borrowing powers of the company and to the subject of bills of exchange; it provides for certain fines and penalties and deals with the question of dissolution and winding up. Then section 5 refers to the application of the Loans Companies Act and section 6 deals with the repeal of section 3 of chapter 94 of the statutes. I might add further that these four sections of the bill deal with nine sections of the original bill. Now, Mr. Chairman, it surely cannot be argued that to strike out of a bill what is in effect twelve sections, not four, and from a bill that has been passed by the Senate and introduced through the Senate, and has come to this committee from the House of Commons in the proper and usual way—I say it surely cannot be argued that this motion to strike out those sections is in order before this committee. I first therefore raise the question that it is not an amendment to the motion that Section Three pass. That is my first point.

Mr. VIEN: I should like to know under what rule a motion of this kind is not a proper motion—the motion to strike out clauses 3, 4, 5 and 6.

Hon. Mr. STEVENS: Excuse me; the point I raised up to the present moment is that the motion before the Chair is a substantive motion and not a proper amendment to section 3. That is my first point. My second point is that for all bills of this character—that is, private bills—the procedure is provided for in the rules of the house. The first and most important rule is that it has been favourably reported upon by the examiner of petitions or by the committee on standing orders. That is standing order number 92, under the heading of petitions for private bills. That this substituted bill has not gone through that procedure and is not properly before the committee is my contention. In support of that, I would draw attention to this: "The Chief Clerk of private bills—"

Mr. VIEN: What section, please?

Hon. Mr. STEVENS: Standing order 99:

(1) The Chief Clerk of private bills shall be the examiner of petitions for private bills.

(2) Petitions for private bills, when received by the house, are to be taken into consideration by the examiner, who shall report to the house in each case . . .

Again I pause to state that this proposed bill has not gone through that procedure and is not in accordance with the rules of the house.

. . . the extent to which the requirements of the standing orders regarding notice have been complied with; and in every case where the notice is reported by the examiner to have been insufficient or otherwise defective, or if reports that there is any doubt as to the sufficiency of the notice as published, the petition, together with the report of the examiner thereon, shall be taken into consideration, without special reference by the Committee on Standing Orders. . . .

This, as far as I know, has not been before the examiner or before the committee on standing orders. Now, Mr. Chairman, I further quote from standing order 107:—

It is the duty of the committee to which any private bill may be referred by the house, to call the attention of the house specially to any provision inserted in such bill that does not appear to have been contemplated in the notice or petition for the same, * * *

And then it says further under Beauchesne's note, 872:—

The amendments made to a private bill ought not to be so extensive as to constitute a different bill from that which has been read a second time.

Now, Mr. Chairman, with all due deference to those who are pressing for the acceptance of this, can it possibly by the widest stretch of the imagination be argued that the striking out of a bill that passed the Senate and is referred to this committee by the House of Commons, of what is in effect twelve sections—four sections of the bill, which involves twelve sections—I say, can it be argued that the striking out of those is a mere matter of amending the bill in committee? It is substituting for this bill that passed the Senate and is referred to this committee by the House of Commons, something else entirely. I am going to leave the question of order at that point and reserve, as I said this morning in another case, the right to discuss the merits of the case and the comparison of the two to a later time. But I submit that, Mr. Chairman—and very earnestly, too—with the reference in the rules, it is the duty of this committee, and therefore unfortunately I must point out to you that it is your duty, to very carefully consider whether or not this bill or this proposal is properly before the committee. I would like to add one other thing. This may be of very much greater importance to the company itself. In the case of a bill which may pass through the house, if subsequently it is found that it has not conformed to the rules of parliament, it may have some effect upon the constitutionality of the bill or act if it should pass and become law. For these reasons I raise that question of order.

The CHAIRMAN: Before I make any comment, I should like to have the benefit of the advice of Mr. Finlayson.

Mr. FINLAYSON: Mr. Chairman, I am afraid my advice would not be of very great value on a point of this kind, as to the rules of the house and the rules of the committee.

[Mr. Arthur P. Reid.]

Mr. VIEN: You might possibly help us in determining what would have been the main features of the bill as drafted.

Mr. FINLAYSON: I could do that.

Mr. VIEN: What are the main features of the amendment?

Mr. FINLAYSON: So far as that is concerned, I think there is no doubt that the three main features of this bill as it comes to the committee are these: The change of name, the increase in the authorized capital and the provision for the rates at which the company shall lend money. I do not attach very much importance to any of the rest of the bill. As I understand it, the proposal would be to substitute for the section providing for rates charged to borrowers, a section which has the effect of making effective a rate of 2 per cent per month instead of a rate of $2\frac{1}{4}$ per cent a month. Now, it does seem to me that that is an amendment; and from that standpoint, I can see no objection to the proposal carrying. As to whether it complies with the rule, I am afraid I cannot advise you.

The CHAIRMAN: So far as the substance of the amendment is concerned, has it your approval as an official of the department?

Mr. FINLAYSON: Oh, quite. In fact, it is what I have been recommending. I am delighted with the proposal, to see that substitute provision inserted in the bill, because it brings the bill to what we have been urging, speaking for the department, for three or four years.

Mr. VIEN: What was the mode of operation that was described in the bill and what is the mode of operation suggested in the amendment? Was the bill as drafted originally intending to substitute a straight interest rate, a monthly interest rate in lieu of a discount basis? Was that the purport of the bill?

Mr. FINLAYSON: Oh, yes. The bill as it came to this committee substituted for a discount rate, with additional charges, a flat monthly rate of interest.

Mr. VIEN: Therefore the amendment does not vary the character of the operation?

Mr. FINLAYSON: No.

Mr. VIEN: In that respect?

Mr. FINLAYSON: Oh, no. The amendment does not change the proposed method of operation. The only material change it does make is to reduce the rate from $2\frac{1}{4}$ per cent to 2 per cent.

Mr. COLDWELL: Mr. Chairman, I would submit that if a point of order has been raised, there are proper officers who may advise the chairman, if he seeks advice. I would suggest it might be well to discuss this point with them rather than with Mr. Finlayson, whose judgment on other matters I respect, but in this particular instance he is not particularly conversant with the point raised.

Mr. VIEN: As he has mentioned himself.

Mr. COLDWELL: Yes. I think that should be done.

The CHAIRMAN: I have already consulted the clerk of the committee who believes that the amendment is in order.

The CLERK: Everything has been complied with from the examiner's standpoint.

Mr. VIEN: I would like to speak to a point of order, Mr. Chairman. I think what Mr. Coldwell has said is quite true. Mr. Finlayson himself stated that he did not want to address himself to the point of order. My question to Mr. Finlayson was: Would the amendment in its nature vary or change materially and fundamentally the bill as it stood? And fundamentally it does not. It touches the rate of interest and it touches the mode of operation. With respect to the rate of interest, the bill suggested a rate of $2\frac{1}{4}$ per cent. The amendment suggests a rate of 2 per cent per month. With respect to the mode of operation, the present system on a discount basis is done away with and a straight interest charge, or a straight charge of 2 per cent per month covering interest and services is substituted in lieu thereof, in the bill as drafted as well as in the amendment. Now, I would suggest that it is always in order to strike out from a bill before the committee any clause of that bill. It is in order that we should move that clause 3 be struck out. There is not the slightest doubt, I think Mr. Stevens will admit with his long experience in parliament and points of order, that any motion to strike out a section of the bill is in order. Therefore, so far as the amendment which is now before the chair purports to strike out sections 3, 4, 5 and 6, I suggest that it is strictly in order. Then with respect to the substance of a new section in lieu of the sections that were there, if the amendment had the effect of changing the nature of the modifications of the bill as originally drafted, I would agree that it would be a substantial change which the rule which Mr. Stevens has mentioned does not allow. My questions were directed to that very point. The bill purports to fix a rate of so much per cent to cover all charges; the amendment purports to fix a rate of so much per cent to cover all charges, therefore there is no change there except that the rate is reduced from two and a quarter to two per cent. Furthermore the basis of operation of the company is changed from a discount basis to a flat rate per month. In both cases, in the bill as originally drafted, and in the amendment, the change is the same.

Mr. TUCKER: I simply cannot allow the remarks of the last speaker to pass unchallenged. In the first place we are told that the effect of this amendment is to change the rate of interest from $2\frac{1}{4}$ per cent to 2 per cent. Now, the actual provisions of the bill are in the case of loans made upon the security of endorsers notes, the rate of interest is to be $1\frac{1}{2}$ per cent per month. We are raising that rate to 2 per cent; and why anybody should come before the committee, knowing that these remarks are going to go on record, and make a blanket statement without any exception that the rate is changed from $2\frac{1}{4}$ to 2 per cent, in view of the plain provisions of section 4 of the proposed bill, is something that I cannot understand. I know, Mr. Chairman, it will be said that this company makes loans almost exclusively on the basis of securities. But there is nothing in the world to prevent them, had this bill gone through, from entering into the field of loaning upon endorsements, and there is nothing in the bill to prevent that—

Mr. MARTIN: That is not now in the bill.

Mr. CLEAVER: Do you argue that we have no right to strike that out?

Mr. TUCKER: Just a minute. The statement was made—

Mr. VIEN: I simply made the statement. That is true. I am very glad to correct my statement in that respect. My hon. friend is quite right. In the bill as originally drafted there was the provision of $1\frac{1}{2}$ per cent on certain loans. I did not touch that because Mr. Reid stated to the committee, and it is on record, that they had not loaned under that system, which relates only to endorsers loans, and that they did not do any kind of business in that direction.

[Mr. Arthur P. Reid.]

I stand corrected in that respect. The bill mentions $1\frac{1}{2}$ per cent on endorser's loans, but this clause providing for a 2 per cent flat rate applicable to all loans will not become effective:

Mr. TUCKER: In regard to that I state that I am glad the correction has been made.

Mr. KINLEY: Let us get this right. Does the amendment raise the rate of interest in the bill?

Mr. TUCKER: The amendment raises the rate of interest in regard to one type of loan.

Mr. MARTIN: That is not correct.

Mr. TUCKER: Just a minute. Mr. Chairman,—

Mr. MARTIN: You must not make that statement.

Mr. TUCKER: I can make that statement because it is true.

The CHAIRMAN: Mr. Tucker, may we have a statement from Mr. Finlayson, as I believe it will simplify the whole thing.

Mr. TUCKER: Mr. Finlayson will say they have not been making loans on endorsement notes. This company must have had intentions to enter that field or they would not have asked for this provision in the law.

Mr. WALKER: Let me answer that. I must take the responsibility for having drafted this. Under the present act we have the right to make endorser's loans at 9 per cent discount, which is approximately the same as $1\frac{1}{2}$ per cent per month. We are willing to give up some privileges, but we felt it wise to retain this privilege although we have not used it for many years, and have no intention of using it at the present time. There are no loans made on endorsements at the present time.

Hon. Mr. STEVENS: But you have the power to make them?

Mr. WALKER: Under the present act, and we are merely preserving that power exactly the same as the other bill which you have passed.

Hon. Mr. STEVENS: Mr. Tucker is quite right.

Mr. WALKER: The Industrial Loan Company had exactly the same charter in that respect, and they made the change. You made the change to 2 per cent.

Mr. TUCKER: There is nothing to prevent your company immediately after prorogation of parliament from deciding to enter this field.

Mr. KINLEY: And charge 2 per cent?

Mr. TUCKER: And under the act as it stands today and under the act which is presented to this committee all they can charge is $1\frac{1}{2}$ per cent. Now, under the proposed amendment they can enter that field and charge 2 per cent, and then somebody gets up in this committee and tells us that the effect of this amendment is to reduce the rate of interest. If that sort of thing is going to go on continually in this committee, knowing a record is being made, I cannot sit quiet and let it go on.

Mr. VIEN: I rise to a point of order. My hon. friend is surely not going to intimate that I intended to mislead the committee.

The CHAIRMAN: No.

Mr. VIEN: If that is my hon. friend's intimation I will discuss it from another point of view, and I can talk turkey with my hon. friend in just as picturesque language as he has used occasionally in this committee. I am saying that I stand corrected in that respect, and I was willing to stand corrected; but on the point of order, Mr. Chairman, the amendment proposed is no more changing the nature of the bill by raising the rate from $1\frac{1}{2}$ to 2 per cent on the one side than by reducing it from $2\frac{1}{2}$ per cent to 2 per cent on the other. On the point of order I suggest that we are not discussing the merits of the amendment. We are discussing the point of order raised by Mr. Stevens. I suggest that it is in order to strike out in the bill any clause. Secondly, as mentioned by Mr. Finlayson, the raising of the rate of interest from $1\frac{1}{2}$ per cent to 2 per cent or reducing it from $2\frac{1}{4}$ to 2 per cent is an amendment which is in order.

Mr. FINLAYSON: Perhaps I should also put myself right because I think I made the same statement as Mr. Vien. I was looking at the practical effect of this proposed substitute provision. I am quite correct in saying that the effect of it would be to reduce the rate provided in the bill from $2\frac{1}{4}$ per cent to 2 per cent on all the loans that the company intends to make, or has made.

Hon. Mr. STEVENS: How do you know what they intend to make?

Mr. FINLAYSON: Only from their own statement; I am taking their own word.

Mr. VIEN: And from their past experience.

Mr. TUCKER: They can change that at the next directors' meeting.

Mr. FINLAYSON: Yes, they can, but I am going on the past experience, because during the last three years they have not made endorsers loans with the possible exception of one in 1936. They have stated here themselves they have no intention of making endorser loans.

Mr. QUELCH: 1936?

Mr. FINLAYSON: There was one made in 1936, if I remember rightly. They stated themselves they had no intention of making endorsers loans; therefore, looking at it from that standpoint I have no hesitation in saying the effect of this substitute clause is to substitute for $2\frac{1}{4}$ per cent, 2 per cent.

Mr. KINLEY: You say it is not their intention. Does the bill give them the power to raise the rate of interest to 2 per cent on endorsers loans?

Hon. Mr. STEVENS: Yes.

Mr. KINLEY: What do you say about that?

Mr. FINLAYSON: If they should make endorsers loans.

Mr. KINLEY: They have the power under the act and you have no power to stop them by way of regulation, have you?

Mr. FINLAYSON: No, none whatever. On the other hand we have no power to make them make endorsers loans.

Mr. KINLEY: Why do they put it in the amendment?

Mr. FINLAYSON: Mr. Walker, I think, has given that explanation.

Mr. KINLEY: Why put it in the amendment? You say they are not going to make the loans.

Mr. FINLAYSON: It is not in the amendment.

[Mr. Arthur P. Reid.]

Mr. QUELCH: I asked the question yesterday as to whether they had been doing any business in Quebec and I think the answer was they were not doing business in the province of Quebec. On the other hand, if they decide to do business in Quebec then they would have to operate on endorsers loans. You as a company cannot charge chattel mortgages in Quebec.

Mr. WALKER: No, sir.

The WITNESS: We are not operating in Quebec at all, Mr. Quelch. We are not contemplating operating in Quebec at the present time. It is absolutely contrary to the policy of the company to make endorser loans. Neither in Canada nor in our 220 offices in the United States do we make that class of loan. We are trying now to more closely identify the Canadian subsidiary with the parent organization, and we certainly have no intention of carrying out a different class of business here from what we are carrying out throughout other household finance offices. It is an entirely different class of business, and we do not believe there is any need for us in the field. The market is very well taken care of now by the Canadian Bank of Commerce. We have no intention of going into it.

Hon. Mr. STEVENS: I observed, when I raised a point of order that I would refrain from discussing the merits of the proposed amendment until the proper time came; but I notice the discussion is getting into that realm. I am submitting again to you that the amendment is not properly before the committee because of the point of order I raised. I am trying to keep myself within the rules of the committee but if it is going to be a general discussion and the decision made upon the point of order is to be made on the merits of the discussion, then I am going to claim the opportunity of violating the rules of the committee.

Mr. VIEN: I think the point of order should be ruled on.

The CHAIRMAN: I rule the amendment is in order.

Hon. Mr. STEVENS: Then, with very great regret, because I have a high regard for you as chairman, I am going to appeal from the ruling of the chair.

Mr. COLDWELL: Shall the ruling of the chair be sustained?

The CHAIRMAN: Is it the wish of the committee that the ruling of the chair be sustained? Those in favour please say yes and those opposed please say no. We shall take the vote, if it is your pleasure.

Hon. Mr. STEVENS: Call the roll, please.

Mr. VIEN: We can do it by standing votes.

Hon. Mr. STEVENS: Call the roll, please.

The CHAIRMAN: The ruling of the Chair is sustained. The question now is on the amendment.

Mr. DUFFUS: As the sponsor of this bill, as the records will show, my main thought in discussing it in the house and asking that it be sent on to the committee was so that it might be thoroughly discussed. I am sure you will agree with me that the bill has been thoroughly discussed in committee. The three main points in connection with the bill were, first the change of the name, second the increase in the capital, and third the interest rate. I submit, Mr. Chairman, that fundamentally this bill has not been altered; in fact, I would go so far as to say that in so far as I am concerned it is infinitely more favourable to the people who would be borrowing money, and it is infinitely more favourable to me as the sponsor of the bill.

Mr. VIEN: Hear, hear.

Mr. MARTIN: Question?

The CHAIRMAN: Are you ready for the question?

Hon. Mr. STEVENS: No, Mr. Chairman. Already some argument has been made that this amendment does not make any material change in the bill. In the first place I would call attention to the original Act of the company, Revised Statutes of Canada 1928, chapter 77; and it will be found that section 5 in this Act is the section which contains the provisions covered in the bill as well as in the amendment.

The CHAIRMAN: Mr. Stevens, might I ask if you are still going to argue the matter which has just been decided?

Hon. Mr. STEVENS: No.

The CHAIRMAN: This is on the amendment?

Hon. Mr. STEVENS: On the amendment. I am discussing now the advisability or otherwise of substituting the amendment for the bill.

Mr. VIEN: Which is the merits of the amendment?

Hon. Mr. STEVENS: I am not precluded from discussing merits of this amendment until it is carried.

Mr. VIEN: I understand.

Hon. Mr. STEVENS: Section 5 of chapter 77 of the Revised Statutes of Canada, 1928, is the section which contains the provisions in both the bill and the amendment; but section 5 has two important provisions: subsection (a) is not referred to in this legislation, but it reads as follows:—

The company may:

(a) Buy, sell, and deal in conditional sales agreements, lien notes, hire-purchase agreements and chattel mortgages, and may receive, accept and enforce from the vendors or transferrers thereof guarantees for the performance and payment thereof.

and then, section (b):

Notwithstanding anything contained in the Interest Act, and the Money Lenders' Act, and in section 3 (c) of the Loan Companies' Act—

The CHAIRMAN: Mr. Stevens—

Hon. Mr. STEVENS: Just a minute.

The CHAIRMAN: Counsel calls my attention to the fact that you are reading from an Act that is amended.

Hon. Mr. STEVENS: If counsel will please keep quiet and let me proceed I would come to the end.

The CHAIRMAN: Well, we want to save as much time as possible.

Hon. Mr. STEVENS: I was just on section (b) and I was going to trace it through.

The CHAIRMAN: All right.

Hon. Mr. STEVENS: I am not ignorant of this thing, nor am I asking the advice of this eminent counsel. Of course, the sense of section (b) was amended in 1929 by chapter 94 of the Statutes of that year, and there was a substantial [Mr. Arthur P. Reid.]

change, with the exception of the word that I have just read, which makes it necessary now for me to read them again. I had no intention of reading them again if counsel had just allowed me to finish the sentence I was in the middle of giving. Section (b) of the amended Act reads:—

Notwithstanding anything contained in the Interest Act, or in the Money Lenders' Act, or in paragraph (c) of section sixty-three of the Loan Companies' Act

and then proceeds with the substantial amendment to the original Act. Now we are coming to the amendment before us; but I will call the attention of the committee to this, that the amendment before us does not repeal the whole of section (b), but only repeals subsection 1 of paragraph (b), leaving still in the Act and in the company's charter the words which I have read in regard to the exclusion from the control of the Interest Act and of the Money Lenders' Act and of the Loan Companies' Act, section 63.

Now, Mr. Chairman, it must be obvious when we have these facts before us that section (b) is of tremendous importance not only to the company who is promoting this bill, but it is important to the people of the country and it brings very vividly to our attention the provision of the elimination of the control of these public acts to this bill. And while that applies to both the bill itself as well as to the amendment it is a matter that should be discussed, and I am going to discuss it briefly in regard to both of them. I object definitely to this elimination which has been raised time and time again as unwise legislation, because when the Parliament of Canada in its endeavour to reflect the will of the people indicates certain statutes such as the Interest Act, the Money Lenders Act and the Loan Companies Act, they did so with intention, and the intention was in this case to protect the public against on the one hand excessive interest charges (the power provided for in the Interest Act), and to protect the public in particular against undue exactions and charges of interest by the passing of the Money Lenders Act. That in other words by making these two Acts, and a subsequent Act which is of less importance in this case (the Loan Companies Act), all three of the Statutes became the standard law of Canada. Reference to any parliamentary authority would indicate to honourable members this; that when a private bill is presented to a committee either in its original form asking for incorporation or in the form of an amendment of an original incorporation, and when such a bill has within its ambit provision for the taking of the corporation out from under the control of an established statute of the country, it is a matter of more than passing importance; and it is to that particular phase that I wish to call attention. My own conviction and view is that the time has arrived when we should repeal the words that I have read: "Notwithstanding anything contained in the Interest Act, or in the Money Lenders Act, or in paragraph (c) of section sixty-three of the Loan Companies Act; and I submit to the committee the advisability of giving consideration to that.

Let us turn to the proposed amendment in comparison with the bill. This bill now properly before the committee came to us in the usual way from the Senate, and ever since it was introduced into the house and during the various discussions in this committee at the present time it has been frequently cited that inasmuch as the Senate Banking Committee gave to this subject very careful consideration we, the members of this committee, ought to take that into our notice and give due weight to the fact that their decision has been reflected in the bill. Now after having pressed that as an argument in favour of this sort of legislation we propose to completely disregard the Senate and to turn our backs on the argument that many have advanced, apparently with pretty general approval. We are to turn our backs on that previous argument and coolly emaciate the bill which the Senate after profound deliberation has forwarded to the house and substitute for it another. On that it may be argued that the Senate passed another bill in this form. That is quite true, but we are dealing with this

particular bill; and I happen to know because I sat in the Senate as a spectator and listened to the argument; I listened last year to the argument when these gentlemen were before the Senate committee urging an amendment to the general Act. I followed the discussion with great care. I attended many meetings and was greatly interested; so that I am not unfamiliar with the fact that the Senate has given deliberation to this matter. I unfortunately did not agree with the conclusions they arrived at, but this bill provides among other things: Regarding repayment—now, I would ask the promoters of the bill if they will follow the matter, because I do not wish to be unfair, and if I happen to make a misstatement it will not be intentional I assure you.

The CHAIRMAN: You invite their checking your statement?

Hon. Mr. STEVENS: Yes, I am inviting it. I will be very glad if they would, because I certainly want to be fair.

Section 3 of the bill, and in the proposed substitute section 6, in subsection 2, we find that: "The company shall expressly permit the borrower to repay the loan or any part thereof at any time before its due date, without notice or bonus, but the company may apply such payment first to all charges in full at the agreed rate up to the date of such payment." Now, I think I have read the substitute bill right. It is a different provision. They may be prepaid at any time by payment of principal, any part of the aggregate charge accrued or owing, and an additional payment of the aggregate charge for one month in lieu of notice. I submit that that is quite different to the proposal in the bill which we are asked now to reject. I would invite Mr. Reid's comment on that.

The WITNESS: Yes. There is only this, Mr. Stevens, that when we proposed to deprive ourselves of the bonus of one month, or rather not to take the bonus at all, that thought was predicated on a rate of 2.25 per cent per month. With the reduction of the rate to 2 per cent that one month's payment of course is going to be necessary. We anticipated the higher rate. In the one case you have two and a quarter per cent without bonus and in the other case you have two per cent with a month's bonus.

By Hon. Mr. Stevens:

Q. Why don't you say this is increasing the charge to the borrower?—A. No, it is a substantial decrease in the charge to the borrower as compared with the present time—in lieu of three months' bonus.

Q. Not in this bill?—A. Within your period of loans.

Q. Don't confuse; I put my point very clearly. I am referring to your powers now, because you come before us with this bill and ask us to abandon certain powers?—A. Yes. I still maintain that the borrower will be better off with the 2 per cent rate and one month's bonus which is proposed, than he would be under the other section, under the two and a quarter per cent without bonus.

Q. Take a borrower who borrows \$200 or \$300 and who repaid it in two months?—A. I explained this morning that those cases were very very rare.

Hon. Mr. STEVENS: Mr. Chairman, might I draw your attention to this, that whenever one raises a point which has some merit we are always met with the argument, well this company very seldom does it; just as a moment ago it was argued and apparently accepted by the committee that the company had no intention of granting loans on endorsements while they did grant them last year. The records are here, and they have the power to grant them. What I am saying, Mr. Chairman, is that we cannot, in making legislation, do as Mr. Finlayson said a moment ago—take the word of the company that they have no intention of taking advantage of that power. Surely, Mr. Chairman,

[Mr. Arthur P. Reid.]

we know that where a company is granted a power it can exercise that power. Do not let us pass the bill on the assumption that the company says it is not going to exercise the power.

THE WITNESS: Don't you think you should clarify that. You have told the committee we have made loans against endorsements last year.

HON. MR. STEVENS: You made one.

THE WITNESS: Would you not like to know what that was?

HON. MR. STEVENS: Very well.

THE WITNESS: That was a case where a man had his security by his landlord for arrears of rent, and we took a renewal note.

HON. MR. STEVENS: It does not alter my argument a particle. My argument is this that they have the power to grant loans on endorsed paper. Furthermore, I know from my experience with companies that the board of directors can meet any time and change the policy of the company. This company may find it attractive to go into that field, and they can do it if they so wish. But to come back to this point I raised a moment ago, I have not had time and one should not be asked in a discussion of this kind—one should not be expected to present the exact worked-out figures. I present this and I think any member of the committee who will look at it with an open mind will agree with me that this constitutes a relinquishment of the protection to the borrower: "The company shall expressly permit the borrower to repay the loan, or any part thereof, at any time before its due date without notice or bonus."

Let me say to hon. members that I listened to the discussion last year and to the evidence given before the senate committee which has been so frequently referred to. I followed it carefully, and this particular point was raised over and over again and the senate found difficulty in finding a formula that would accomplish this point; and it is one of the things that has been resisted; but here we find the company in its substitute bill very calmly and skilfully eliminating that. The substitution—

MR. WALKER: Mr. Stevens has invited my interruption, which he objected to before. I think he has made a statement there that is not supported by those who were sitting day after day before the senate committee. We were encouraged to leave in the provision to take a bonus. We thought it was better for the borrower to take it out. Now, we were not asked to take it out this time, and we thought it might be appreciated. Now, apparently, Mr. Stevens is appreciating it now and wants us to give way on both points. If we got 2½ per cent we are prepared to leave it in, but don't kick us both ways.

HON. MR. STEVENS: With all due regard to the interruption—

MR. WALKER: You asked for it.

HON. MR. STEVENS: I asked to be advised on fact.

MR. WALKER: Mr. Chairman, I was there every day, and I say that Mr. Stevens' recollection does not coincide with mine.

HON. MR. STEVENS: Very good. As a matter of fact, Mr. Chairman, the practice of contradicting flatly what a person says is not in order with the procedure of committees, but we will let that pass. As I stated before I sat in that committee—not all the time, because I was not so vitally interested, but I sat very frequently as a spectator, and while I am not going to dispute the statement that has been made my recollection is, and I discussed it with several senators, that many of them at least were very strongly of the view that this

point should be settled. I am not in accord with Mr. Finlayson's view on a lot of things. I respect Mr. Finlayson's opinion, but I am not bound to take Mr. Finlayson's view on matters of this kind. I must say what I myself heard and saw, giving the best interpretation possible. But it does not alter the fact that the bill that is being discarded provides for repayment without notice or bonus, whereas the amendment says that they may pay the principal, any part of the aggregate charge accrued or owing and an additional payment of the aggregate charge for one month in lieu of notice. That is one reason why I object to the abandonment of the bill as proposed by the amendment.

Now, we go on to another point, and again I am asking the representatives of the committee to correct me if I am wrong in my reading of this. I am dealing with the matter hastily. I am not inviting, however, contradictions of opinion, because my opinion is just as good as that of the gentleman who interrupted. As I read the bill before us, we have this provision: "If any interest, consideration or charges in excess of those permitted by this act are charged, contradicted for or received directly or indirectly and whether by means of affiliated companies, collateral agreement or otherwise howsoever, the contract of loan shall be void, and the company shall have no right to collect or receive because thereof any principal, interest or charges whatsoever."

That is in the bill. Now, I cannot find any corresponding provision in the amendment. If I am wrong I invite correction at this point. I think I am right. Therefore, Mr. Chairman, I submit this as another reason why the committee would be ill-advised to abandon the terms of the bill and to substitute this proposed substitute bill.

Mr. TUCKER: Perhaps some of the officials will explain why it is left out.

Hon. Mr. STEVENS: I do not think so.

Mr. TUCKER: I would like to hear why it is left out.

Mr. FINLAYSON: May I speak on that? The provision you have just read is in what section of the bill?

Hon. Mr. STEVENS: In clause 3 of section 6 on page 3 at line 35.

Mr. FINLAYSON: "In addition to the charges herein provided for, no further or other charge or amount whatsoever for any examination, service, brokerage, commission, expense, fee or bonus or other thing or otherwise shall be directly or indirectly charged, contracted for or received."

Well, if we look at the substitute section.

Hon. Mr. STEVENS: That is not what I referred to.

Mr. FINLAYSON: "If any interest, consideration or charges in excess of those permitted by this act are charged, contracted for or received directly or indirectly and whether by means of affiliated companies, collateral agreement or otherwise howsoever, the contract of loans shall be void, and the company shall have no right to collect or receive because thereof any principal, interest or charges whatsoever."

That deals with the additional charge by way of collateral agreement or otherwise. There is in the substitute section this provision, that the 2 per cent—

Hon. Mr. STEVENS: Where is that?

Mr. FINLAYSON: I am reading now from the substitute provision commencing with the words "such aggregate charge." Go back to the previous sentence, "instead the company may, with relation to such loan, make against the borrower an aggregate charge, expressible as a percentage of the principal money loaned, which charge shall be deemed to include all interest on the loan, all charges

[Mr. Arthur P. Reid.]

thereon, or therefor, of every nature and kind, other than interest, all disbursements (except for registration fees as hereinunder provided) made in connection with the loan, and all other fees, charges or services whatsoever arising out of or incidental to the loan." Now, I think those words will prohibit a charge under any collateral agreement. That covers that point. The penalty in the existing charter of the company you will find in subsection 2 of section 10 of the bill.

Hon. Mr. STEVENS: I am asking what is substituted in this.

Mr. CLEAVER: He is telling you.

Mr. FINLAYSON: The original penalty in the original special act remains.

Mr. COLDWELL: In the meantime, the Senate has passed the bill and there is another penalty in that bill. They must have had some reason for including that penalty. What is substituted for that penalty in the bill in the House of Commons.

Mr. FINLAYSON: I will read the penalty. I will read from the company's special act as passed in 1928, chapter 77, subsection 2 of section 5:—

Any officer or director of the company who does, causes or permits to be done, anything contrary to the provisions of this section shall be liable for each such offence to a penalty of not less than \$20 and not more than \$5,000 in the discretion of the court before which such penalty is recoverable, and any such penalty shall be recoverable and disposed of in the manner prescribed by section 98 of the Loan Companies Act.

That is the penalty to which the company is subject now; and by this substitute provision that penalty is restored, so that the provision with this substitute section is exactly the same as in the special one.

Hon. Mr. STEVENS: I cannot agree with Mr. Finlayson.

Mr. FINLAYSON: I am trying to make it clearer.

Hon. Mr. STEVENS: No. No. What I am arguing, Mr. Chairman, is that the Senate in this bill and in dealing with the specific question of additional charges provided a specific penalty therefor which was, not that any officer or director of the company may be prosecuted and fined. That is in the original act. That deals, Mr. Chairman, with general delinquency in the operation of their company. It deals with anything they do that is wrong and contrary to the act; and it might well be argued, as Mr. Finlayson argues, that the penalty could be invoked against a director or officer of the company if they charged something beyond what is provided for in this substitute bill. But in the bill as it is before the committee it is an entirely different penalty, and one which, I think, is far more effective; and if we are holding in mind the protection of the borrower, then I submit that we are relinquishing a very effective measure which is presently in the bill. We are relinquishing a very real protection, and I will read it again:—

If any interest, consideration or charges in excess of those permitted by this act are charged, contracted for or received directly or indirectly and whether by means of affiliated companies, collateral agreement or otherwise howsoever, the contract of loan shall be void. . . .

Now, that is a vastly different penalty from that which Mr. Finlayson has described. Furthermore, you will note that it says in our terms—and Mr. Finlayson would be the first man to say this—terms which in the experience of administrators show that it is extremely difficult to control this money-lending business. That is one of the difficulties they have. The Senate, knowing that,

facing these issues, made this penalty, and the language is, “. . . contracted for or received directly or indirectly and whether by means of . . . collateral agreement or otherwise, howsoever, the contract of loan shall be void. . . .”

Now, that is a vastly different thing from the broad general penalty which applies to the operations of the company generally; and that, sir, is another reason why I object to this bill.

Mr. FINLAYSON: May I say a word before you pass from that subject that this penalty to which I refer is a penalty for delinquency of directors in the administration of the company generally. I want to point out that subsection 2 is limited to offences of omission in respect of section 5: “Any officer or director of the company who does, causes or permits to be done, anything contrary to the provisions of this section . . .” This section is section 5, which deals with the question of rates.

Hon. Mr. STEVENS: Quite so. I was perhaps being a little too generous.

Mr. FINLAYSON: There may be a difference of opinion as to the effectiveness of the two penalties. All I am saying is if you adopt this, you are not repealing any penalty that now exists.

Hon. Mr. STEVENS: I do not say we do; and that is what I object to, drawing away into other sidelines. I am not objecting to anything of that kind and never did. All I am saying is that in order to invoke the penalty that is in the original charter, someone must enter information in a criminal way against the company's officers—an officer or a director—and secure by prosecution in the courts a conviction against him and a fine. But it is the penalty which is being deleted from this bill if this amendment prevails. A borrower may, if he feels he has a grievance, bring the case to the courts; and if the courts decide that the borrower has a just case, then the loan is void. That is a vastly different thing, Mr. Chairman, and a very valuable thing to have in the act. Now, we will proceed to another section.

In this bill now before the committee and sought to be deleted by the amendment we have a clause on advertising, and again I do not see any corresponding protection in the act. Mr. Reid can correct me if I am wrong. I make this statement, and in making this statement I am not criticizing them; I am simply stating the fact for whatever it may be worth that this company spent in the last five years \$200,832.68 on advertising. I draw attention to that, not to criticize it, but simply to indicate its importance—\$200,832.68 for advertising.

The WITNESS: No.

Mr. FINLAYSON: Over what period?

Hon. Mr. STEVENS: Five years.

Mr. KINLEY: I think they said 1.9 per cent.

Hon. Mr. STEVENS: I do not care what it is.

Mr. KINLEY: I do care.

Hon. Mr. STEVENS: Mr. Kinley, I am not criticizing them. May I point that out to you. I am just offering it as a statement of fact.

The WITNESS: Why confine the statement to five years? Why not go back nine years?

Hon. Mr. STEVENS: Because five years is all the data I have before me. I would gladly go back ten or twenty years and give the figures, if they exist. I do not suppose they do. Mr. Chairman, I have no intention of criticizing it.

[Mr. Arthur P. Reid.]

My friend raised the point, and I will give the figures. In 1932 when this company took over, the advertising was \$4,263.60; in 1933 it was \$22,943.22; in 1934, it was \$41,866.67; in 1935, it was \$50,777.98; in 1936 it was \$80,981.21 or a total of \$200,832.68.

Let me return once again to where I was. I merely cited those figures as an indication of the importance of this matter of advertising. In this section 8 of the bill which is being deleted by this amendment the provision is made as follows:—

The company shall not advertise, print, display, publish, distribute or broadcast or cause or permit to be advertised, printed, displayed, published, distributed or broadcast in any manner whatsoever any statement or representation with regard to the rates, terms or conditions for the landing of money, which is false, misleading or deceptive. The Superintendent of Insurance may order the company to desist from any conduct which is in violation of the foregoing provisions and may require that rates of charge, if stated, shall be stated fully and clearly to prevent misunderstanding thereof by prospective borrowers.

Again I say, Mr. Chairman, I fail to find in the substitute bill a provision of that character. If I am wrong, the officers of the company will correct me.

Mr. FINLAYSON: No, there is not.

Hon. Mr. STEVENS: Well, I appear to be right. Now, I want to suggest this to the committee, Mr. Chairman. Here again is something that is modern, something which is new. It is meeting a very real condition of this day. The practice of false advertising—and again let me say I am not accusing this company; I am talking about the general practice of false advertising or misleading advertising—has become so prevalent and indeed so skilful that it has resulted in a very serious menace. Recognizing that and knowing that, surely it is desirable to include some protection against it. The bill provides that protection. The amendment deletes it.

The CHAIRMAN: Mr. Stevens, may I just make a comment? I quite agree with your statement as to the importance of the subject, but is it not a matter that ought to be dealt with in a general way applying to all companies?

Hon. Mr. STEVENS: Mr. Chairman, there is a provision in the Criminal Code that deals generally with advertising, and it uses language something like this, "False, misleading and deceptive."

The CHAIRMAN: Would these people be subject to that?

Hon. Mr. STEVENS: Oh, that provision has been in the Criminal Code, to my knowledge, for ten or twenty years. I was active in it ten years ago and have been since. But what is the difficulty? Let us take it as between merchants. There are very few merchants who recognize a false advertisement who like to go and inform against a competitor. They must go and lay an information. The weakness of that Criminal Code provision is that there is nobody to enforce it.

Mr. KINLEY: Is that not true of all crime?

Hon. Mr. STEVENS: No.

Mr. KINLEY: Generally?

Hon. Mr. STEVENS: No, not to the same extent. For instance, in the case of crimes such as thievery and the ordinary venal crimes they are quickly attended to by the police and the attorneys-general of the provinces. But in regard to some of the provisions of the Criminal Code, particularly this one, there is reluctance to lay information. A police officer cannot lay information

he does not know; he is not trained—as to whether a given advertisement is fair or not. But this provision places on the superintendent of insurance the responsibility—I will use that word—of supervising these advertisements. What has happened, by this company—by this very company? I wish I had some of the advertisements that I filed with the Finance Department three years ago, clearly indicating to the public that this company was under the wing of the Dominion Government.

An Hon. MEMBER: No.

Hon. Mr. STEVENS: Yes, it did. Technically, Mr. Walker—I say this,—as a lawyer you could easily argue yourself out of that advertisement, but I would like to have it brought down.

Mr. WALKER: I wish you would.

Hon. Mr. STEVENS: I wish Mr. Finlayson would bring down the letters I wrote to the Finance Department, and let them judge.

Mr. KINLEY: Have you the advertisement?

Hon. Mr. STEVENS: I am asking that to be brought down. It is on file.

Mr. FINLAYSON: I will. I think it is on our files. I will bring it for to-morrow morning.

Hon. Mr. STEVENS: I filed with the Minister of Finance three years ago several illustrations and I protested then against it. I know from conversations with people that they did have the impression that this company was directly associated with the Federal Government. They have stopped it. That is the test. They have stopped it.

Mr. FINLAYSON: Perhaps I should add, Mr. Stevens—I am not sure when it happened—that there was originally in some of the advertisements of these small loan companies—I think this one included—a statement something to this effect: That the rates are set or fixed by the Dominion Government.

Hon. Mr. STEVENS: Yes.

Mr. KINLEY: That is a statement of fact.

Hon. Mr. STEVENS: It is not.

Mr. FINLAYSON: That is not quite a statement of fact; and I suggested certainly three or four years ago that that statement should be omitted. The rates are fixed by special act of the parliament of Canada, which is a different thing from being fixed by the Dominion Government.

Mr. MARTIN: Yes.

Mr. FINLAYSON: I suggested it to the companies and all of them adopted the suggestion.

Mr. CLEAVER: Is it not just the maximum rates that are fixed?

Mr. FINLAYSON: I think what they have substituted for that is a statement of fact that the rates are fixed by a special act of the parliament of Canada.

Hon. Mr. STEVENS: Yes, and I object to that.

Mr. FINLAYSON: There may be objection taken to it, but I think it is not a mis-statement of fact. I think under this section 8 that Mr. Stevens is just reading I could not take action against the company if they used that statement.

[Mr. Arthur P. Reid.]

Mr. KINLEY: Why do you object, Mr. Stevens?

Hon. Mr. STEVENS: I know this—

Mr. CLEAVER: Might I ask a question to clear up a doubt that appears in my mind?

The CHAIRMAN: With Mr. Steven's consent.

Hon. Mr. STEVENS: Surely.

Mr. CLEAVER: Thank you, Mr. Stevens. The amendment which I have before me says this, that Bill No. 58 be amended by striking out all of sections 3, 4, 5 and 6 thereof. That is 3, 4, 5 and 6 of this bill?

Hon. Mr. STEVENS: Yes.

Mr. CLEAVER: 3, 4, 5 and 6 of this bill which I would appear to have would not strike out this advertising.

Hon. Mr. STEVENS: My dear Mr. Cleaver—

Mr. CLEAVER: I would like to be put right on it.

Hon. Mr. STEVENS: —you are disclosing a great deal of innocence about bills. I read this all over a moment ago. Section 3 includes 5.

Mr. FINLAYSON: No, section 4.

Hon. Mr. STEVENS: Section 4 includes 6, 7, 8, 9, 10 and 11.

Mr. CLEAVER: I see the wording now. Thank you.

Hon. Mr. STEVENS: You see the significance of it?

Mr. CLEAVER: Yes. I think, Mr. Chairman, we should have an expression from the officers of the company as to why these sections are deleted.

Mr. COLDWELL: Mr. Stevens is not finished.

Hon. Mr. STEVENS: I am amazed that my friend has only just at this stage of the game—

Mr. CLEAVER: Well, skip the amazement and get on.

Hon. Mr. STEVENS: No, I am going to express amazement that my hon. friend who has been one of the most active proponents of this bill has only now discovered that there are about a dozen sections that he did not know were being repealed at all; and we were going to vote on it a minute ago and without any discussion.

The CHAIRMAN: Oh, no.

Hon. Mr. STEVENS: You would have if I or a few more had not objected.

The CHAIRMAN: No.

Hon. Mr. STEVENS: It would have gone through without any discussion at all.

Some Hon. MEMBERS: No.

Hon. Mr. STEVENS: Let me come back to this section 8 which is included in section 4 of the bill. I again submit that that is a wise provision to have in legislation controlling these companies, and it is being abandoned by the amendment.

Then I will go on to the next:—

The company shall not conduct the business of making loans under this act within any office, room or place of business in which any other business is solicited or engaged in, or in association or conjunction therewith, except as may be authorized in writing by the Superintendent of Insurance upon his finding that the character of such other business is such that the granting of such authority would not facilitate evasions of this Act.

Am I right again in saying that the provision does not appear in the amendment?

Mr. FINLAYSON: No. That is one of the provisions that I would like to see struck out.

Hon. Mr. STEVENS: All right. But it is not in the amendment.

Mr. FINLAYSON: It is not in the amendment.

Mr. KINLEY: You mean in so far as it gives you authority?

Mr. FINLAYSON: It gives discretion which, I think, I should not be called to exercise.

Hon. Mr. STEVENS: Mr. Finlayson is again escaping from the main point. I am not talking about whether the Superintendent of Insurance should exercise this authority or not. He can strike it out if he wants to. What I am referring to is this:—

The company shall not conduct the business of making loans under this act within any office, room or place of business in which any other business is solicited or engaged in, or in association or conjunction therewith . . .

That is the point that I am referring to, and that does not appear in the amendment.

Mr. FINLAYSON: That is quite right.

Hon. Mr. STEVENS: It is deleted.

Mr. FINLAYSON: That is right.

Hon. Mr. STEVENS: I was not referring to Mr. Finlayson's feelings, whether he wanted to apply it or not, and I am not interested in that.

Mr. KINLEY: Mr. Stevens, I suppose the idea would be that there might be some little place where a man is a magistrate or something or other, and he wanted some supplementary work and carried on this in his office.

Hon. Mr. STEVENS: It is quite possible. It is recognized as an objectionable feature.

Mr. KINLEY: In a store or somewhere he might do business.

Hon. Mr. STEVENS: Or possibly in conjunction with the company; I hesitate to say this, but for instance in the office of a life insurance company, as was done in a case that was before the courts, where they would say, "Now, it is a fine thing for you to step across to the other side of this office and insure your loan." That sort of thing is done. I am not saying this company does it. But it is a wise provision to have in your charter. It is in this bill which you are now proposing to delete.

Mr. KINLEY: It might be a public service to let a part-time man in a small community do that.

[Mr. Arthur P. Reid.]

Hon. Mr. STEVENS: I would not think so.

Mr. KINLEY: You would not?

Hon. Mr. STEVENS: No, I would not think so. However, I am writing that down as another objection.

Mr. KINLEY: It would be a public service to allow a part-time man in a small community to do this work.

Hon. Mr. STEVENS: I would not think so. However, I am laying that down as another objection, Mr. Chairman. Now, then, the next section is this:

The company shall not take any note or promise to pay that does not accurately disclose the actual amount of the loan, the time for which it is made and the agreed rate of charge, nor any instrument in which blanks are left to be filled in after execution.

I do not find that in the amendment, and again, Mr. Chairman, I submit to the members of the committee that that provision is a provision that is desirable in the charter of this company, and which is now in the bill which is being discarded, and for which this other bill is being substituted. Then, I find that there are two clauses regarding fines. I suppose I shall be confronted again with clause (1). The clauses to which I refer are:

If the Company shall wilfully or by an established method of business violate or fail to observe any provision contained in sections five and six of this Act, it shall be guilty of an indictable offence and liable to a fine not exceeding five thousand dollars and not less than one hundred dollars.

It will be noted that the penalty clause to which Mr. Finlayson drew attention referred to section 5 only. This refers to sections 5 and 6. I again object to the abandonment of this bill because the new substituted bill has no such protection in it. The next clause reads as follows:

If any officer or director of the Company shall do, cause or permit anything contrary to any provision contained in sections five and six of this Act, he shall be guilty of an offence against this Act and liable for each such offence to a fine not exceeding five thousand dollars and not less than twenty dollars.

Mr. FINLAYSON: May I say a word there, Mr. Stevens? I am sure you are not appreciating the fact that in the original Special Act section 5 contains in substance what is now in sections 5 and 6. You have observed that. So that when the present penalty section refers to section 5 it is referring to what is now in substance in sections 5 and 6 of this new bill. The old section 5 has been divided in this bill into two sections, 5 and 6.

Hon. Mr. STEVENS: Very good, but that does not alter the fact that it does provide a more definite penalty against any offences such as those indicated in the two sections that I have just read.

Now, I proceed to the next clause:

If the Company shall, in respect of any transaction of loan wilfully, or by an established method of business, directly or indirectly charge, impose upon or demand or receive from or through any borrower any charge whether or not including any interest or rate of interest in excess of the amount or rate authorized by this Act, the Company shall, in addition to its liability to any other penalty or to any other consequence, otherwise provided, be liable to be wound up and to be dissolved if the Attorney General of Canada, upon receipt of a certificate of the Super-

intendent of Insurance setting forth his opinion that the Company so charged, imposed, demanded or received, applies to a court of competent jurisdiction for an order that the Company be wound up under the provisions of the Winding-Up Act—

Now, here we have another extension of penalty that is not even mentioned in the main penalty in the main act and it is not in the amendment that is now before us—

Mr. FINLAYSON: Might I point out there that the penalty in section 11 is almost in the same words as the penalty provided in Chapter 56 of 1934. That section provides for winding up.

Hon. Mr. STEVENS: You mean in the General Act?

Mr. FINLAYSON: In the General Loan Companies Act, and it remains.

Hon. Mr. STEVENS: In the General Loan Companies Act?

Mr. FINLAYSON: The amendment to the Loan Companies Act, 1934, Chapter 56.

Hon. Mr. STEVENS: I call the attention of the committee to this fact: the witness said that the company brought this bill here—this bill mark you—at the request of the department; and the explanation Mr. Finlayson now gives me—I have not the statute before me and I cannot compare it—

Mr. FINLAYSON: Mr. Stevens, I must correct that. I do not think it has been said I told the company to bring this bill to parliament.

Mr. TUCKER: Mr. Reid said that yesterday. I understood you to say that, Mr. Reid, and counsel for the company said you had dragged them here and you told them to ask—

The CHAIRMAN: Order, please.

Mr. FINLAYSON: I should like to make this clear. I have been urging these companies for three or four years to come to parliament and get a flat monthly rate of 2 per cent substituted for their present system of charges. I never saw this bill until it was introduced into parliament.

Mr. TUCKER: I am glad you made that correction. I should like you to have made it yesterday when the company said they had been dragged here and forced to ask for this legislation.

Mr. MARTIN: That was not said.

Mr. FINLAYSON: I suppose the record will speak for itself. All I can say is I have no recollection of any person saying that I asked the company to come to parliament with this bill.

Hon. Mr. STEVENS: We won't argue on that, Mr. Chairman. We have some of the reasons why I object to the substitution of this amendment for the bill that is before the committee. I think I have cited enough to indicate that there is a vast difference between the two measures. Perhaps it might have been better if we had discussed it before, and the ruling might have been different, because, I submit to you, Mr. Chairman, there is very little relation between the bill now before the committee and the amendment that is proposed. I therefore oppose the amendment, believing that it is not in the interests of the public and is not an added protection to the public in connection with this company's operations.

Mr. WALKER: Mr. Chairman, should I make a statement on this?

The CHAIRMAN: If you care to. That is your privilege.

Mr. KINLEY: You oppose the amendment and the bill?

Hon. Mr. STEVENS: I do.

Mr. WALKER: This is the first time, gentlemen, that I received any credit at all for this bill that we drafted. I thought it was a good bill. I am glad that Mr. Stevens thinks so also.

Hon. Mr. STEVENS: I did not say that, Mr. Walker.

Mr. WALKER: You seemed—

Hon. Mr. STEVENS: Now, just a moment. Mr. Chairman, the records of this committee are going to be kept right. I made no such statement, and if any man is so blind as not to see that I am opposed to this legislation, then I pity him, that is all. Mr. Walker has no right to put on the record a statement of that kind.

Mr. KINLEY: You say the bill is better than the amendment.

Hon. Mr. STEVENS: I say this: if we are going to pass it at all, this bill is infinitely better than the amendment.

Mr. CLEAVER: Do I understand, Mr. Stevens, that you are opposed to the proposed section in the bill referring to advertising and opposed to the proposed section in the bill providing for a monthly rate. I believe that is what Mr. Walker intended to indicate when he made that statement.

Mr. WALKER: Mr. Chairman, evidently one should not indulge in sarcasm.

Hon. Mr. STEVENS: You may if you like, but you will not get away with much of it. I think it is entirely *infra dig* to indulge in that kind of thing in a parliamentary committee. Members of the committee have some rights, you know.

Mr. WALKER: I stand humbly corrected; but I still feel there are a number of sections in this bill that Mr. Stevens seems to prefer to the amendment. Now, the chief criticism that was made to this bill, and the chief reason for changing or asking for the amendment was that we seemed to have drawn up regulations that were more appropriate to the general act than to a private bill. That criticism, I may say, was made by the interests who are to be here to-morrow. I understand Mr. Forsyth in his first memorandum that is before this committee made that criticism, and it was also made by others, and it was suggested that as Mr. Dunning had made a statement that a select committee would be appointed to go into general legislation we should put ourselves as closely as possible on a parity with the other company whose bill was preceding ours. It left us exactly in competition as we could be until such time as parliament should deal with these companies and other companies going into this business. Now, with regard to the merits of the various sections; when we were drafting them we did have in mind the idea of something in the nature of a model bill. We were deliberately inviting additional restrictions with the idea of encouraging the thought of general legislation; but as we have the assurance that the whole matter is going to be considered, it ceases to be important. But whether or not these particular sections were enacted the fact still remains that we are under the supervision of Mr. Finlayson, and he has been able to exercise most of these powers over us, whether they are expressed in one form of words or in another form of words. We must not overlook the

fact that one of the most effective powers that Mr. Finlayson has is the question whether or not we get our licence. It has been the rule, I think, of all three companies to obey Mr. Finlayson's wishes just as far as possible. I am sure Mr. Finlayson will bear me out in saying that on questions of advertising and so on we have been most punctilious in following his wishes. Now, as far as the attention that the Senate gave to these particular clauses is concerned, I may say that it was of some disappointment to me that they gave no attention to them whatever. The whole discussion was concentrated on the question of rate. The Industrial Bill was already through and the trouble we had was in getting through a bill with a rate somewhat higher than the Industrial Bill. There are a number of these clauses that we have no objection to at all. The bill, of course, is a thing that should be taken as a whole. Naturally, as we drafted it and came forward with it, we would be delighted to see it go through as a whole. But if you start cutting out some things, then you have to examine it with great care to see whether in cutting out one thing you leave us in as fair a position as we were in with the bill as a whole. The question of the bonus is the first point of that kind that comes up. I have already explained that my clients were perfectly content to give the borrower the right to prepay without notice or bonus provided they had a slightly higher rate. Mr. Finlayson thought it of paramount importance that the borrower who carries out his ordinary contract should get the greatest benefit and that anyone who prepays was more in a position to pay a higher rate, so he prefers this type of clause. But so far as this type of clause goes we prefer the two and a quarter per cent without the bonus. It is a matter of opinion, and if we are put in competition with these other people it must be highly desirable that we should be on the same footing. As far as powers are concerned, while we have not any intention of altering our present business it would seem to me to be unfair to make our powers different from the powers of our competitor; because, if they should change their policy we might be placed at a disadvantage. I think that it will take a considerable time to develop this differently, and I think it is a mistake because it would put the two companies with different Acts. But if it is the wish of the committee to insert some of these clauses we can sit up at night and try to make a job of it and have it ready for the morning.

Mr. DUFFUS: I just want to say one word, with your permission: Mr. Stevens made one statement that rather prompts me to make another short observation, one which I think is quite significant. He said that it is most difficult to regulate these loan companies. Now, I ask this question in all sincerity; what will happen should the companies now under government control—this is naturally under government control—what would happen to necessitous borrowers in the event of this parliament failing to take any steps to protect them. I submit that if these companies are as it were put out of business we shall leave the necessitous borrowers in the hands of the money sharks and pirates.

The CHAIRMAN: Gentlemen, what is your pleasure as to the next meeting of the committee?

Hon. Mr. STEVENS: It is six o'clock.

Mr. MARTIN: I suggest that we should meet to-night.

Hon. Mr. STEVENS: Oh, not to-night.

The CHAIRMAN: Mr. Martin has the floor.

Mr. MARTIN: I am not one of those who desire to criticize anyone, generally speaking, but there are a number of things that I would like to take up.

[Mr. Arthur P. Reid.]

The parliamentary session is coming to an end, and if we are to finish our committee work, to say nothing of the presentation of this in the House of Commons, we will certainly have to sit more often in order to make the necessary time. I think, Mr. Chairman, in view of all that, we should adjourn to sit again this evening.

The CHAIRMAN: You move that we adjourn until this evening?

Mr. MARTIN: I move that we adjourn until 8 o'clock.

Mr. KINLEY: If there are to be any new changes in this bill, I submit this: that general legislation is better than special legislation, if it can be provided that way.

The CHAIRMAN: Is it your pleasure that we sit to-night or to-morrow morning?

Mr. TUCKER: After all, some of us are interested in the discussion that is going on in the house as well as in this committee. We have stuck to this bill very steadily and I would submit that two sittings of this committee are enough to attend in one day. I submit that we should adjourn until to-morrow morning to get a chance to see where we are going.

Hon. Mr. STEVENS: I call your attention to the fact that we have not a quorum.

The CHAIRMAN: We have to meet in the morning because we have an agreement that we would hear Mr. Forsythe.

Hon. Mr. STEVENS: I draw your attention to the fact, and I would ask the clerk to note it, that we have not a quorum.

The CHAIRMAN: Mr. Stevens is right, we have not a quorum.

Mr. MARTIN: That may be right, but the rules of the house do not preclude discussion as to when the committee shall meet again. I submit that the quorum rule does not apply in that respect.

The CHAIRMAN: We have not a quorum, and I do not see how the Chair can rule without a quorum.

Mr. MARTIN: I am suggesting, Mr. Chairman, with great respect, that the rule about having a quorum does not apply to the consideration as to when the committee shall sit again. I am suggesting that we should meet to-night at 8 o'clock.

Hon. Mr. STEVENS: You cannot rule without a quorum.

The CHAIRMAN: We will meet in the morning at 10.30.

The committee adjourned at 6.10 o'clock p.m. to meet again to-morrow, April 1, 1937, at 10.30 o'clock a.m.

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Banking and Commerce Committee
1937

SESSION 1937

HOUSE OF COMMONS

CAIX 13
- 1511
STANDING COMMITTEE

ON

BANKING AND COMMERCE

MINUTES OF PROCEEDINGS AND EVIDENCE

Respecting

Bill No. 58 (Letter C of the Senate), An Act Respecting
Central Finance Corporation and to change its name to
Household Finance Corporation

No. 4

THURSDAY, APRIL 1, 1937



WITNESSES

Mr. Lionel A. Forsyth, K.C., of the legal firm of Brown, Montgomery and
McMichael, Montreal.

Mr. Arthur P. Reid, Vice-President and General Manager of Central
Finance Corporation, Ottawa.

OTTAWA
J. O. PATENAUDE, I.S.O.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1937

MINUTES OF PROCEEDINGS

COMMITTEE ROOM 368,

THURSDAY, April 1, 1937.

MORNING SITTING

The Standing Committee on Banking and Commerce called to meet at 10.30 a.m., came to order with a quorum at 10.45 o'clock; Mr. Moore the Chairman, presided.

Members of the Committee present:

Messieurs: Clark (*York-Sunbury*), Cleaver, Coldwell, Edwards, Harris, Hill, Hushion, Jacobs, Jaques, Kinley, Kirk, Landeryou, Lawson, McPhee, Mallette, Martin, Moore, Perley (*Qu'Appelle*), Quelch, Stevens, Thorson, Tucker, Vien, Ward—(24).

In attendance as a witness:

Mr. Lionel A. Forsyth, K.C., of Montreal.

In Attendance for call or information if required:

Mr. G. D. Finlayson, Superintendent of Insurance,
Mr. Arthur P. Reid, Vice-President and General Manager of,
Mr. Harold Walker, K.C., counsel for, the
Central Finance Corporation, Toronto,
Col. A. T. Thompson, K.C., Parliamentary Agent for the Bill 58(c).

Mr. Finlayson supplied some correspondence between the Central Finance Corporation and himself, asked for at a previous meeting.

Clause 3 of Bill 58(c) before the Committee.

Mr. Forsyth called and sworn.

By consent of the Committee, Mr. Cleaver proceeded to examine the witness. Mr. Cleaver asked witness to supply certain information to the Committee which would then be filed as Exhibit No. 3.

The Clerk of the Committee called attention to the fact that a quorum was not present, whereupon the Chairman suspended proceedings until a quorum was secured.

Before further examination of the witness, Mr. Vien moved,—That when this Committee adjourns the present sitting it adjourns to 4 p.m. this day.

Motion carried.

The examination of the witness was continued by Mr. Cleaver who was followed by Mr. Tucker.

Considerable discussion occurred through the examination and several points of order were raised. A question to the witness by Mr. Tucker was objected to as not being a proper question to submit to the witness in his capacity as an expert witness on small loan matters only, and not in a legal capacity.

The Chairman ruled that the question was not a proper one to put to the witness.

On a standing vote, the Chairman's ruling was sustained.

It then being 1 o'clock, on motion of Mr. Jacobs, the Committee adjourned.

AFTERNOON SITTING

The Committee resumed at 4.15 o'clock, p.m., the Chairman, Mr. Moore, presided.

Members in attendance: Messieurs Baker, Clark (*York-Sunbury*), Cleaver, Coldwell, Deachman, Donnelly, Dunning, Edwards, Fraser, Howard, Jacobs, Landeryou, Lawson, McPhee, Mallette, Martin, Moore, Perley (*Qu'Appelle*), Plaxton, Quelch, Stevens, Tucker, Vien, Ward—(24).

In Attendance as Witness: Mr. Lionel A. Forsyth, K.C., of Montreal.

In Attendance for call, or for information, if required:

Mr. G. D. Finlayson, Superintendent of Insurance, Ottawa;
Mr. Arthur P. Reid, Vice-President and General Manager, and
Mr. Harold Walker, K.C., representing the Central Finance Corporation;
Col. A. T. Thompson, K.C., Parliamentary Agent for the Bill.

Mr. L. A. Forsyth recalled:

Mr. Tucker asked a question which was answered. Mr. Deachman continued the examination of the witness.

Mr. Finlayson answered a question relative to loans up to \$500 in the different brackets, in percentages, from the records of his Department.

Mr. Lawson asked some questions of the witness. Mr. Dunning also asked questions directed to the witness.

Mr. Landeryou, after asking some questions, submitted the following motion:—

That this Committee adjourn until we have the opinion of the Law Officers of the Crown as to whether the Central Finance Corporation is entitled by law to charge the rates of interest they have been charging up to the present.

Motion was debated because of the modifications as applied to adjournment of the Committee. After discussion, motion was put by the Chair.

It was *negatived* on a Standing Vote.

Mr. Stevens called for a Recorded Vote resulting in: *Yeas:* Mr. Coldwell, Mr. Landeryou, Mr. Quelch, Mr. Stevens, Mr. Tucker (5). *Nays:* Mr. Baker, Mr. Clark (*York-Sunbury*), Mr. Cleaver, Mr. Donnelly, Mr. Dunning, Mr. Edwards, Mr. Jacobs, Mr. Lawson, Mr. Mallette, Mr. Martin, Mr. Vien, Mr. Ward (13).

The motion was declared lost.

Mr. Stevens continued his examination of the witness.

During an interlude in the examination of the witness, a quorum being present, Mr. Vien moved,—

That when this Committee adjourns the present sitting, it adjourns to 9 o'clock, p.m., this day.

Carried.

Although it was not yet six o'clock, Mr. Stevens decided to not proceed further with the examination, and no further questions having been submitted, the witness was discharged.

The Committee adjourned.

EVENING SITTING

The Committee resumed at 9.15 o'clock, p.m., with the Chairman, Mr. Moore, presiding.

Members present: Messieurs Baker, Cleaver, Coldwell, Deachman, Dunning, Edwards, Fraser, Howard, Hushion, Jacobs, Kirk, Lacroix (*Beauce*), Landeryou, Lawson, McGeer, McLarty, McPhee, Mallette, Martin, Moore, Perley (*Qu'Appelle*), Plaxton, Quelch, Stevens, Tucker, Vien—(26).

In Attendance:

Mr. G. D. Finlayson, Superintendent of Insurance, Ottawa;
Mr. Arthur P. Reid, Vice-President and General Manager, and
Mr. Harold Walker, K.C., representing the Central Finance Corporation;
Col. A. T. Thompson, K.C., Parliamentary Agent for the Bill.

Mr. Stevens asked a question of the Chair in respect to proposed amendment by Mr. Martin.

The question being put: Shall the proposed amendment in substitution of clauses 3, 4, 5 and 6 of the original Bill be now considered?

It was resolved in the *affirmative*.

Clause 3 of the Bill as proposed to be amended under consideration.

Mr. Arthur P. Reid recalled; questioned by Mr. Stevens.

Some questions answered by Mr. Finlayson.

Mr. McGeer continued the examination. Some replies were made by the counsel for the Corporation, Mr. Walker. A lengthy discussion ensued which was participated in by Mr. Dunning, Mr. Lawson, Mr. McGeer, Mr. Stevens, Mr. Tucker, Mr. Landeryou, Mr. Vien and other members of the Committee.

After discussion Mr. Stevens moved:—

That section 3 be further amended by adding thereto a further subsection as sub-paragraph V, the following:—

V. If the Company shall wilfully or by an established method of business violate or fail to observe any provision contained in sub-paragraph (iv) of this paragraph, it shall be guilty of an indictable offence and liable to a fine not exceeding five thousand dollars and not less than one hundred dollars.

If any officer or director of the Company shall do, cause or permit anything contrary to any provision contained in sub-paragraph (iv) of this paragraph, other than an accidental slip, error or omission, he shall be guilty of an offence against this Act and liable for each such offence to a fine not exceeding five thousand dollars and not less than twenty dollars.

Mr. Stevens' further amendment to Clause 3 declared adopted.

Mr. McGeer raised a question with respect to bringing the law officers of the Crown before the committee.

On a point of order, Mr. Lawson stated that the same matter had been dealt with at a previous sitting and was voted down. The chairman ruled the point of order well taken.

Mr. McGeer appealed from the ruling of the Chair.

STANDING COMMITTEE

On the question being put: Shall the ruling of the Chair be sustained the committee divided equally. Thereupon the chairman voted "Yea" and declared the question resolved in the affirmative.

A recorded vote being asked for, the names were then taken down as follows: Yeas: Mr. Baker, Mr. Cleaver, Mr. Deachman, Mr. Howard, Mr. Jacobs, Mr. Lawson, Mr. Martin, Mr. Plaxton, Mr. Vien (9). Nays: Mr. Coldwell, Mr. Hushion, Mr. Kirk, Mr. Lacroix (*Beauce*), Mr. Landeryou, Mr. McGeer, Mr. Quelch, Mr. Stevens, Mr. Tucker (9). Thereupon the chairman voted "Yea" and declared the question resolved in the affirmative.

By general consent the committee adjourned until 10.30 o'clock a.m. tomorrow, Friday April 2, 1937.

E. L. MORRIS,

Clerk of the committee.

FRIDAY, April 2, 1937.

The Standing Committee on Banking and Commerce called to meet at 10.30 o'clock a.m. this day, resulted in the following members of the committee being present:

Messieurs: Deachman, Donnelly, Jacobs, Kirk, Lacroix (*Beauce*), Landeryou, McGeer, Mallette, Martin, Moore, Ross (*Middlesex East*), Stevens, Vien (13).

The clerk of the committee having called attention to the fact that a quorum was not present, the chairman announced that the committee would meet on Monday, April 5 1937.

E. L. MORRIS,

Clerk of the committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, Room 368,

April 1, 1937.

The Standing Committee on Banking and Commerce met at 10.50 a.m. Mr. W. H. Moore, the chairman, presided.

The CHAIRMAN: We now have a quorum. Please come to order. Mr. Finlayson:

G. D. FINLAYSON, Superintendent of Insurance, recalled.

The WITNESS: Mr. Chairman and gentlemen: At the end of the session yesterday I was asked about certain correspondence I had had with the Central Finance Corporation and with Mr. Stevens. I find on May 5, 1933, I wrote the Central Finance Corporation regarding the form of their advertising. Their advertisements had contained the words, "Rates set by Dominion Government". I pointed out to them that that was inaccurate and asked them to discontinue. They replied almost immediately that they would do so, and they were destroying several thousand circulars containing those words.

On October 2, 1933, I received a letter from Mr. Stevens drawing attention to a folder which he enclosed, referring particularly to the words, "Rate authorized by special Act of the Dominion parliament incorporating the company." He said, "Is this not stretching the matter a bit and leaving the impression that the Dominion government is responsible for the rates that this company charge. I suggest you look into it and notify them to discontinue using language of that kind which I think is misleading." I replied to that letter on October 3 and I said "The circulars originally issued by this corporation contained the words, 'Rate set by Dominion government.' On this coming to our attention we asked the company to revise the circulars and withdraw from circulation all those outstanding. The wording which is now used, namely, 'Rate authorized by special Act of the Dominion Parliament Incorporating the company,' appeared to us to be a statement of fact to which no serious objection could be taken. The limitations imposed by the said Act are, if anything, more stringent than those imposed by general legislation in the United States covering the operation of this type of lender."

Then apparently on January 6, 1934, Mr. Stevens wrote on the same subject to the Minister of Finance. That letter was transferred to me and returned to the Minister of Finance on January 10; and the letter is therefore not on our files. I take it from my memorandum which I gave the minister returning the letter that it was practically in the same terms as Mr. Stevens' letter to me of October 3. That completes the record.

By Hon. Mr. Stevens:

Q. What is your memorandum? You might read your memorandum?—A. I will, if the committee asks it; this is a memorandum to the minister, and ordinarily department memorandum are considered confidential.

Hon. Mr. STEVENS: If it is a confidential memorandum I will not ask you to read it.

The WITNESS: It is not marked confidential, but we usually consider such memos as confidential.

Hon. Mr. STEVENS: I quite appreciate the point, it is a privileged communication; that being the case I will not press you to read it.

Mr. VIEN: It would be a privileged communication.

Hon. Mr. STEVENS: I am not pressing it. I recognize that.

Witness retired.

The CHAIRMAN: Gentlemen, we are met by arrangement this morning to examine Mr. Forsyth, or perhaps I should say to receive evidence from Mr. Forsyth. Is Mr. Forsyth present?

Mr. FORSYTH: Yes.

The CHAIRMAN: Mr. Forsyth, will you take a seat up here please?

LIONEL FORSYTH, K.C., of Montreal, called.

Mr. JACOBS: I suggest that we dispense with hearing Mr. Forsyth. He is an attorney and it would not make any difference.

The CHAIRMAN: I don't know; what is the pleasure of the committee? I think that is the practice.

Mr. JACOBS: It is not usual to swear an attorney who is giving evidence.

Mr. MARTIN: I would remind you that we swore Mr. Reid.

Mr. DEACHMAN: I suggest that all witnesses be sworn. There should be no class distinction between witnesses here.

The CHAIRMAN: What is your pleasure? Those in favour please indicate by a show of hands—keep those hands up so they can be counted.

Mr. MARTIN: This is all in the best Dickens manner.

The CHAIRMAN: Those opposed? I think we will have to swear the witness. Witness is sworn.

The CHAIRMAN: Now gentlemen, Mr. Forsyth has been duly sworn to tell the truth; who would care to ask a question, or undertake to bring out the material desired. Mr. McGeer moved that Mr. Forsyth be present, but Mr. McGeer is not present himself. Has any member of the committee any questions to ask Mr. Forsyth? Let us not lose time.

Well, Mr. Forsyth, apparently nobody wants to ask you any questions.

Mr. TUCKER: I understand that Mr. McGeer made the motion to examine Mr. Forsyth, and he will be here to-night or to-morrow morning.

The CHAIRMAN: We cannot help that, we want to get through this morning.

Mr. TUCKER: We are not through discussing section 3.

The CHAIRMAN: No.

Mr. TUCKER: We can examine Mr. Forsyth just as well after we get through with that as we can before.

The CHAIRMAN: Mr. McGeer thinks that Mr. Forsyth's evidence would bear on section 3; therefore, before we decide on section 3 we certainly ought to hear Mr. Forsyth.

Mr. CLEAVER: Mr. Tucker as seconder of the motion that Mr. Forsyth should be called ought perhaps to have precedence and lead with the questioning.

The CHAIRMAN: Well, somebody better start.

Mr. CLEAVER: Well, if they are all too modest to start I will.

The CHAIRMAN: Mr. Cleaver, you have the floor.

By Mr. Cleaver:

Q. Mr. Forsyth, you have prepared a memorandum report which I will submit to you and ask you to identify?—A. You don't expect me to read that? I think I did prepare that, yes.

Hon. Mr. STEVENS: That is the report which was put in as an exhibit is it not?

Mr. CLEAVER: What is the exhibit number of the report, so that the record may be kept clear, if that report was filed as an exhibit, Mr. Chairman.

The CLERK: That is Exhibit No. 1.

[Mr. Lionel A. Forsyth.]

MR. CLEAVER: The report which I have shown you, Mr. Forsyth, is marked as exhibit 1 in regard to this hearing.

HON. MR. STEVENS: Might I suggest that Mr. Forsyth have the document in his hand.

WITNESS: Thank you.

By Mr. Cleaver:

Q. Would you tell the committee what your interest is, and what led you to make that report?—A. Well, my interest in the matter is that I have been interested for another company and—

Q. As counsel for another company?—A. As counsel for another company; I have been interested in this matter for now some four or five years.

By Mr. Vien:

Q. What is the name of that company?—A. The Discount and Loan, which is a company incorporated under charter.

By Mr. Cleaver:

Q. What is the Discount & Loan Company?—A. It is a company operating under a charter very similar to the charter of the other company.

MR. MARTIN: That is a branch of the United States company.

By Mr. Cleaver:

Q. Is it the same as the company you represent?—A. You will take my answer on that, Mr. Cleaver; but I understand the company is controlled by a United States company called the Beneficial Management Corporation. There may be some connection—

Q. What standing has the Beneficial Management Corporation in the United States? Is it one of the large loan companies or is it one of the small companies?—A. It is a very large company.

Q. Would you say the largest?—A. I think it is the largest; of course, that is a matter with respect to which some other people here are perhaps better qualified to speak than I am. I think it is the largest.

MR. JACOBS: Do they charge the largest rate of interest?

THE CHAIRMAN: Just a moment, please; suppose we allow Mr. Cleaver to finish his examination and then others may ask questions.

HON. MR. STEVENS: Hear, hear.

By Mr. Cleaver:

Q. I take it then that the company you represent would be in opposition to the Household Finance Company, one of its keenest competitors?—A. There is no doubt that these companies are competitors, but if you mean by that that my presence—

Q. I am not meaning anything like that; so far as I am concerned I just want to get the comparative position of the two companies?—A. Of course, I do not want to take up time unnecessarily, and I want to answer your questions; but, Mr. Chairman, I think I am entitled to stand on the answer that I want to make.

Q. It will oblige the committee if you will?—A. I want to say to you gentlemen just this; that my opposition to these measures is not dictated to me by the Beneficial Management Corporation or anyone else; I think I might say without undue modesty that any dictating in that case was done by me.

MR. JACOBS: The tail wags the dog.

THE WITNESS: The tail wags the dog in this particular case.

By Mr. Cleaver:

Q. And what other companies if any are you counsel for which are either subsidiary to or working along with the company you have just mentioned?—A. Well, I do not think that I am counsel for any others; not that I know of at any rate.

By the Chairman:

Q. Any other loan companies?—A. Loan companies of this category, making this type of loan?

Q. Yes?—A. I do not think so.

By Mr. Cleaver:

Q. I am referring to the official blue book for the year ending December 31, 1935, and the report of the Discount Loan Corporation of Canada; that is the company that you are counsel for?—A. Yes.

Q. And I see a memorandum referring to a hook-up between that company and the Consolidated Service Company Limited?—A. Yes.

Q. Do you know who the Consolidated Service Company are?—A. I know in a rather vague way what that is, but it is not a loan company. Would you like me to explain what I think it is?

Q. Perhaps we will come to that in a minute?—A. All right.

Q. For what purpose was the Consolidated Service Company organized?—A. Well, again, Mr. Cleaver, I will have to speak with some little reserve and it is largely a matter of hearsay with me; but as I recall it—

Q. Do you really mean that?—A. I really mean that, and I will tell you why I mean that. I can understand why you would be a little surprised at my saying that, but this Discount Loan Company has been a client of my office for some years and my connection with that company, my activities in connection with that company have been largely in connection with drafting legislation and in advising them on legislative matters and matters affecting their relations with the company; but so far as the conduct of their business as a loan company is concerned, I have had very little to do with that. I am a member—and I do not want to do any undue advertising—but I am a member of a rather large firm and a good many things go on in that firm that I have not personal knowledge of.

Q. I take it that you are personally counsel for the Discount Loan Company?—A. Only in the sense that I have told you. I have not had anything to do with the conduct of their loan business at all. I do not know much about it.

Q. Have you read the report in the blue book I have referred to?—A. I have not.

Q. Then for your information I will read this notation which appears in that blue book?

Mr. FINLAYSON: Pardon me, I am afraid there has been a word left out in the name of that company. I think it should be The Consolidated Credit Service Company.

The WITNESS: I think that is right.

Mr. CLEAVER: Thank you, Mr. Finlayson.

By Mr. Cleaver:

Q. That is the company arising from the company for which you are counsel. In the year 1935 in aggregate amounts it received 50 per cent of the total receipts of Discount Loan Corporation; and after that item there is an asterisk referring the reader to this notation, "This company" (referring to the Consolidated Credit Service Company) "was incorporated for the purpose of

[Mr. Lionel A. Forsyth.]

serving this and similar corporations in taking chattel mortgages and otherwise"; do I understand you correctly, that you did not know that?—A. I think what I said was this, that so far as I speak today I would have to speak from hearsay. I did not say I did not know that.

Q. Who incorporated that company?—A. I think that company was incorporated by my office.

Q. The company was incorporated in your office?—A. Oh, yes.

Q. Then it is hardly giving the complete answer to say that your opinion would be hearsay; it would be rather definite professional information would it not?—A. I think, if you will allow me to say so, that the answer I gave you was perfectly truthful as an answer; that the company was incorporated by other people in my office. The purpose of its incorporation was decided without any reference to me at all, and so far as I am concerned all I know about that company is what other people in my office have told me. I did not handle their incorporation at all, that was done by associates of mine in the office.

Q. You do know that this company though is receiving from the Discount and Loan more than half of their total earnings?—A. I do not know that.

Q. You do not know that?—A. No.

Q. You did not know that they were providing this service for Discount Loan?—A. I was preparing to tell you when you interrupted.

Q. Please answer the question I ask; you did know this company was incorporated for the express purpose of doing this service work for Discount and Loan?—A. Yes, I know that.

Q. Yes, of course you do; and you do know that the company was incorporated by your office?—A. Oh, yes.

Q. So that if you did not take the trouble to get the facts it is really no one else's fault but your own?—A. I have not suggested anybody else is to blame for it.

Q. All right. Why was that company incorporated Mr. Forsyth?—A. You have just read me from that pamphlet that it was incorporated for the purpose of handling the chattel mortgage business for Discount and Loan; and I see that is the information I have about it.

Q. Did you not advise the Discount Loan Company as to the advisability of incorporating this subsidiary?—A. Personally I did not give them that advice. I know it was given to them by one of my partners.

Q. You know it was given?—A. Yes.

Q. You might elaborate to the committee as to why that advice was given, and why the company was formed?—A. I would say (excuse me a moment, while I look up the charter of the company—that is chapter 63 of the Statutes of 1933) that that is explained by the charter of the Discount and Loan Company. I would refer you to section (iii) to sub-section (b) of section 5: It provides there that:—

Notwithstanding anything in the next two preceding sub-paragraphs (i) and (ii) the company shall, when a loan authorized by the said sub-paragraph (i) has been made or renewed on the security of a chattel mortgage, or of a subrogation of taxes, be entitled to charge an official sum equal to the legal and other actual expenses disbursed by the company in connection with such loan, but not exceeding the sum of ten dollars.

I think that that section means—I would say that there was a good deal of argument as I recall it that if the company was to make this additional charge it had to show that it disbursed the money, and somebody apparently thought that it had to be disbursed to somebody else; and as I recall it the advice given was that this special type of security involved certain additional expenses; and so the argument was I think that that expense could only be shown when it was

a disbursement, when it was disbursed in the ordinary expenses; and they were apparently advised in order to make the matter perfectly clear that it was a disbursement that a separate company should be incorporated and should receive that money. That is what I think was that situation.

Q. I suggest to you that the advice was given to the Discount & Loan Company by yourself?—A. I suggest it was not given by myself.

The CHAIRMAN: By your firm.

By Mr. Cleaver:

Q. By your firm?—A. Yes.

By the Chairman:

Q. What is the name of your firm?—A. Brown, Montgomery & McMichael.

By Mr. Cleaver:

Q. Let us not be confused; I understood you to say a moment ago that you were counsel for the Discount & Loan Company, and that you were not counsel for the Consolidated Credit Service?—A. Oh, no, I think you are mistaken. I do not think I said that. If I did say that it is not accurate. What I said was that as a member of my firm I advised Discount & Loan Company on certain aspects of their situation, and with respect to the operation of their loan business, which I intended if I did not make it clear, to include the operations of the Consolidated Credit Service Corporation; that I was not at the time that advice was given doing that particular work for them. That is what I wanted to convey to you. Somebody else in my office did that. I am not trying to evade it at all.

Q. As I understand your evidence then the advice given was that in order to keep within the law and to preserve all of these charges for the benefit of Discount & Loan a subsidiary company would have to be incorporated who would take these charges and who would be paid the money, and then Discount & Loan would eventually get everything back again through being the stockholder or owner of Consolidated Credit?—A. I do not think that is right. I do not think that is what I said.

Q. You might tell us again why the company was incorporated?—A. Well, I thought that I made that perfectly clear. In the first place, I did not say that. You are incorrect when you say that the Discount & Loan Company is the owner of Consolidated Credit Service, and I do not think you are right; I do not know, but I do not think you are right.

Q. That should be quite easy to clear up, and I would suggest that you address yourself to that immediately?—A. I will be very glad to do that. I will make a note of that and get it for you to-day.

Q. Can you suggest any reason why this subsidiary company was incorporated, other than for the purpose of doing that part of the work, and for the purpose of keeping the profits in the same corporation, in the hands of the same individuals?—A. I beg your pardon?

Q. Can you suggest any reason as to why Discount & Loan Company would arrange for the incorporation of Consolidated Credit other than so that the profits could be retained by the same group of individuals?—A. Well, what I suggested to you before is what I still think is the case; I think the Discount & Loan Company became very perplexed with the proper interpretation of that section.

Q. And it became necessary later to incorporate this second company?—A. They didn't argue that way at all, they argued it the other way. They said, this is a disbursement, it is money actually disbursed even although you do not pay it to a third party, do you see; and I think the advice they were given in

[Mr. Lionel A. Forsyth.]

my office was that the construction of that statute was that a chattel mortgage fee was a disbursement made to somebody else—that was an argument which received some support from the Department of Justice, and I think that is the advice we gave them.

Q. And the reason that you would go to the trouble of incorporating a special company with a special service would be to retain the profits in the same group of individuals?—A. I suppose it reduced expense.

Q. It is rather an obvious inference, is it not?—A. I think it is a fair inference on the statement you made.

Q. Yes, a fair inference. Let us get on from there—

Mr. JACOBS: I scarcely see the relevancy of discussing the affairs of this Discount & Loan company when it is not before us. At the moment we are dealing with the application of the Household Finance Company.

Mr. CLEAVER: I have been trying to trace the development of this company. I think you will see the relevancy of it in a moment or two.

Mr. JACOBS: It may reach me then.

The CHAIRMAN: Mr. Cleaver, I suggest that you take five minutes or so in which to show the relevancy of this material.

Mr. CLEAVER: Yes, thank you.

The WITNESS: Might I interrupt you, Mr. Cleaver; what you want to know is who owns the shares of Consolidated Credit Service?

Mr. CLEAVER: Yes, who owns the controlling interest?

By Mr. Cleaver:

Q. Where does Consolidated Credit carry on its business?—A. I think if I am not mistaken—Mr. Finlayson probably knows more about that than I do—but I think Consolidated Credit Service is administered directly or operated by a company known as Canadian Corporation which has its head office in the Royal Bank Building in Montreal, and I think Mr. Lang is the secretary of Consolidated Credit Service.

Q. Where is the head office of the Discount & Loan?—A. I really can't tell you.

Q. Also in the Royal Bank Building?—A. I think it is, maybe.

Q. Also in the same building?—A. I think so.

Q. And their offices are adjoining?—A. I tell you what I think you will find and it is this, that the head office of the Discount & Loan Company of Canada in Montreal is an office of domicile only. They do not carry on any operations in Quebec that I know of. I do not think they carry on any loan operations.

Q. Do I understand it correctly then that the bulk of the work of Discount & Loan is carried on by Consolidated Credit Service, and that Discount & Loan is what might be termed a branch office?—A. I do not think that is so. Both of these companies, the Discount and Loan and the Consolidated Credit Service have head offices, offices of domicile, in Montreal. That is a place where papers can be served on them.

The CHAIRMAN: Might I suggest that you do not go further than to establish the standing of Mr. Forsyth who appears before us as an expert on this matter, and as to his motive in circulating the literature that was put on the record the other day.

Mr. CLEAVER: Thank you, Mr. Chairman; I will pursue that point no further.

By Mr. Cleaver:

Q. Well then, coming to exhibit 1 which you have already identified, I read from page 4 of that exhibit, the second paragraph on page 4?—A. Yes.

Q. "It is suggested therefore that the two bills now under discussion"—and the two bills I take it were bill No. H. and bill No. C. then before the Senate?—A. I think they had just passed third reading in the Senate.

Q. Then, "It is suggested therefore that the two bills now under discussion can both be attacked on the basis that prima facie the rates which they permit are much too high"?—A. Yes.

Q. "And before such rates are given recognition by parliament there should be the investigation promised"; do you still agree with that statement that you made a few days ago?—A. I have seen no reason to disagree with it.

Q. And the rate provided in bill H. was a rate of 2 per cent on the monthly balance?—A. Yes; that is, if H. is the Industrial Loan Bill. I do not recall them by number.

Q. The rate provided by bill C. at that time was $2\frac{1}{4}$ per cent on the monthly balance?—A. Yes.

Mr. MARTIN: Might I just make a suggestion before you go into that point. Don't you think you ought to try to get from the witness what his qualifications are for writing a memorandum of that character? He is appearing before us as an expert.

Mr. CLEAVER: I will do that now, thank you, Mr. Martin.

Mr. TUCKER: That brings up the point that the rate in that bill was $2\frac{1}{4}$ per cent. In the one case it was $1\frac{1}{2}$ per cent, and in the other $2\frac{1}{4}$ per cent. I think we should have that absolutely correct.

Mr. MARTIN: That is one time when I agree with Mr. Tucker. Mr. Forsyth, could you—

Mr. VIEN: Mr. Tucker's statement is a correction of the record, I think.

Mr. MARTIN: All right, I will leave it at that.

By Mr. Cleaver:

Q. Were these representations made by you to the Senate in opposition to the passage of these two bills?—A. As a matter of fact, when the first bill was passed I—it got passed while I was sitting there in the committee, and it was passed before I knew it. It went very fast. I did rise in my place and I said I would like to have discussed the question of rates at that time. There did not seem to be any facilities for us and I did not say anything I wanted to. And the other bill—the committee of the Senate usually sits after the Senate rises, and as a matter of fact when the other bill was sent before the committee, the committee sat, and when I arrived I saw other gentlemen standing outside and they told me the bill was through; so that may tend to disqualify me as an expert on punctuality at any rate.

The CHAIRMAN: Too late, Mr. Forsyth.

The WITNESS: Yes.

By Mr. Cleaver:

Q. Would you mind answering the question I put to you?—A. I think I have answered that.

Q. No. My question was as to whether this statement was filed by you in the Senate?—A. No, it was not.

Q. For the purpose of opposing the passage of these bills?—A. Mr. Cleaver, the very first page of the brief says it was not, because that page of the brief refers to the fact that the bills had received third reading in the Senate.

Q. Who was it prepared for?—A. Nobody; for myself, and it was given to me by some people who asked me to give it to you.

[Mr. Lionel A. Forsyth.]

Q. Was that prepared then for the purpose of circularizing members of the house in opposition to these bills?—A. It was not prepared for the purpose of circularizing members of the house in opposition to these bills. I do know that there were four copies.

Q. Of course, other copies could readily be made?—A. I suppose they could, but I did not make them, and did not circularize any members of the house with them at all.

By the Chairman:

Q. Just a moment, please; how did we get this copy?—A. I think I could tell you how you got a copy of it, I think probably it came from Mr. Martin.

MR. MARTIN: Yes, I put it in yesterday.

THE CHAIRMAN: This was put on the record by Mr. McGeer.

MR. MARTIN: When Mr. McGeer referred to a copy the other day he was not able to leave a copy with the committee at all.

THE CHAIRMAN: No.

MR. MARTIN: I had a copy which I put in yesterday, and that was the copy of the document to which Mr. McGeer had made reference.

THE CHAIRMAN: That is two of the four copies.

MR. MARTIN: I do not know whether there were four copies or not.

THE CHAIRMAN: There were only four copies Mr. Forsyth said.

THE WITNESS: I think that is the number.

THE CHAIRMAN: Pardon me; tell us what you did with these four copies. The statement was made that they were not prepared for circulation among the members, and only four copies were made, and we, the members of the committee, had two copies here.

THE WITNESS: Now, I want to tell you about this thing, but I can't remember exactly about it. Senator Duff opposed these bills in the Senate, both of them. Senator Duff asked me one time, he knew that I was familiar with the thing, at least I suppose he did, he asked me what I thought about this thing and I told him, and he asked me if I would prepare a memorandum on it. I did prepare a memorandum and I think that is the memorandum.

By Mr. Vien:

Q. Therefore, this memorandum was prepared at the request of Senator Duff for himself?—A. Oh, I would not say it was prepared at the request of Senator Duff for himself. I do not know what his idea about it was. I know I was interested in it though. I am opposed to these bills.

Q. Personally, or as counsel?—A. In both capacities; as counsel for a loan company, and as an individual.

By Mr. Cleaver:

Q. Who paid you for preparing it?—A. I have not been paid; I hope I will be, by the Discount & Loan Company.

Q. You hope you will be?—A. Yes.

Q. Therefore, this memorandum was prepared by counsel for one of the opposition companies for the express purpose of opposing the passing of bills H and C?—A. I think we ought to get this thing on a proper basis.

Q. So do I?—A. I haven't any protest against the Central Finance Company or against the Industrial Loan Company, but I believe these bills both of them are wrong in principle, and that is why the memorandum was prepared.

MR. MARTIN: Might I just ask Mr. Cleaver again—

THE CHAIRMAN: Let Mr. Cleaver conclude.

Mr. MARTIN: May I just make this point: Mr. Forsyth is here as an expert, and he apparently knows a good bit about this business. I think we should have from him some statement which will show the character of his right to come here as an expert. As one member of the committee, I would like to have that before you continue much further, Mr. Cleaver.

The CHAIRMAN: Mr. Martin, Mr. Cleaver will finish in the course of the next hour, and you will then have an opportunity to ask the witness these questions you have in mind. I think we ought to permit Mr. Cleaver to pursue his examination.

Mr. MARTIN: All right.

The WITNESS: May I suggest something there. I do not want to interfere. I am here as your witness, and you can do whatever you like with me. But I do not know what relevancy my conduct of my business with my clients really has to this situation. I am not claiming any question of privilege or anything like that, and I do not want you to think that I am. But I felt and still feel that not only as a lawyer but as an individual I have got the right to express myself on matters of legislation that are before this house, provided I do it decently and properly.

By Mr. Cleaver:

Q. Please do not put any sinister motive into the question, Mr. Forsyth.—A. I am not.

Q. I am not questioning your right to come and express your opinions; but I do want the committee to have your evidence as to the position you hold and the special interest you have in acting for one of the opposition companies?—A. I think that is a very, very proper thing for you to do.

Q. Yes. Leading on from there, I presume that your company, as well as the other two companies whose bills are now before the house, received a request, written or verbal, from the department suggesting a reduction in rates?—A. I cannot say about that. It has not been brought to my attention. I have had many discussions with Mr. Finlayson about rates, and I know he has one view about it and I have another. But to say that he made any suggestions to the company—he may have, I do not know—but so far as I am concerned that request has not been made to me.

Q. Do you state definitely then that, so far as your personal knowledge is concerned, you do not know of any suggestion or request having been made by the Department of Insurance in regard to the reduction of rates?—A. Well, I would not put it that way, because it just depends on the interpretation you place on these discussions. I think Mr. Finlayson will probably bear me out in this, that we have been talking rates in this business for the last three years, and his views about rates and my views about rates are entirely different.

Q. He did suggest to you that you should come before the house with a bill providing for a reduction in rates?—A. I do not think so. What I would say is this: We were before the Senate committee last year on an investigation in this matter and Mr. Finlayson made his views very apparent. When we suggested one type of rates, I may say that although we were not all at one, I mean the companies themselves were not in agreement as to how these rates should be stated—none of the companies favoured the rates which Mr. Finlayson favoured. But up there we were discussing general legislation, and Mr. Finlayson at that time was advocating that the general legislation should provide one rate and I was advocating that it should provide another; but I do not know that Mr. Finlayson ever said to me—he may have, but I do not think he ever suggested to me that I should bring a bill to the house for reduction of our rates.

[Mr. Lionel A. Forsyth.]

Mr. FINLAYSON: I wonder if it would not be better for me to make a note of these things in which I am involved, and let Mr. Cleaver continue with his examination.

Mr. VIEN: Yes.

The WITNESS: What I would like to say is that I may be mistaken. I do not want through lack of memory or anything to be misleading this committee. If Mr. Finlayson says he did tell me anything of that kind, and tells me when he did it, I will try to remember it. But I do not think he put it that way to me.

Mr. FINLAYSON: I will just introduce this, that in 1934—the session of 1934—the Discount and Loan Corporation introduced a private bill into the house revamping their special act. It passed the Senate and came before the Banking and Commerce committee of the House of Commons. I prepared a long memorandum for the committee on that bill, which was mimeographed and distributed to the members of the committee. I opposed the bill, and in the discussion in the committee I suggested the substitution of a clause prescribing the rates, wiping out the complicated system of charges in the special act and substituting a flat monthly rate of 2 per centum per month on the unpaid principal balance of the loan. I have here a copy of the memorandum I used before the Banking and Commerce Committee. As I recall it, Mr. Forsyth appeared as counsel.

The WITNESS: That is right.

Mr. FINLAYSON: In the committee.

The WITNESS: That is quite right.

Mr. FINLAYSON: He argued against my proposal and he beat me.

Mr. VIEN: Mr. Finlayson, could you tell the committee what was Mr. Forsyth's suggestion in answer to yours?

Mr. FINLAYSON: Well, perhaps I had better not take any more time. I can go into that very fully later on.

Mr. VIEN: What I would have liked to get—you gave very specifically what the attitude of the department was, which was for a flat basis rate and the rate should be 2 per cent per month on the reducing balance?

Mr. FINLAYSON: Yes.

Mr. VIEN: What was the opposing side?

The CHAIRMAN: Now, Mr. Vien and Mr. Finlayson, let us suggest to Mr. Cleaver that he ask that question from Mr. Forsyth.

Mr. VIEN: I suggested to Mr. Cleaver, and I would still suggest to Mr. Cleaver, that he ask Mr. Forsyth, if it is in order with your proposed question, as to what was the attitude that he suggested or adopted at that time.

By Mr. Cleaver:

Q. Mr. Forsyth, you have heard what Mr. Finlayson has said in regard to the kind of rate which he favoured and which he thought would be fair. What was your attitude at that time? Mr. Finlayson says you were opposed to it. What rate did you favour at that time?—A. My attitude at that time was that I was amending a charter which already existed, and charters somewhat similar in form existing with respect to other companies. My attitude was this, as it is now, that the way to set these rates is not to take one company out of two or three and legislate piecemeal for them, but to at any rate preserve some semblance of order about the thing. I said this, and I said it later, that I thought Mr. Finlayson's 2 per cent rate was wrong, and I still think it is wrong.

By Mr. Vien:

Q. In what particular?—A. Well, I will tell you. In the first particular, and the most important one, Mr. Vien, these companies never should have been allowed in the first place—any of them—to make loans over \$300. They never should have been.

Hon. Mr. STEVENS: Hear, hear.

The WITNESS: Mr. Finlayson's rate scheme of a flat 2 per cent from one dollar to five hundred dollars is a loan scheme that has not received favour where they have had a great deal of experience in the small loan business.

By Mr. Vien:

Q. Was it too high or too low?—A. The rate scheme is far too high in the upper brackets, above three hundred dollars. No loan company pretending to be a small loan company should, I submit, be allowed to make a loan of over \$300.

By Mr. Cleaver:

Q. What about the lower brackets?—A. In the lower brackets you will find that under the uniform small loan law of the United States—and I take the State of Massachusetts where they have had it about twenty-five years—my recollection is that there they allow 3 per cent per month on balances of \$100 and less and 2 per cent per month on balances in excess of \$100 and up to \$200.

Q. I am asking what attitude you took at that time?—A. The attitude I took at that time was that I wanted parliament to legalize the thing that was being done, namely, I wanted them to legalize the discount of this 7 per cent and that is what I got them to do.

Q. Were you opposed to Mr. Finlayson in regard to his 2 per cent rate?—A. Yes.

Q. Did you think it was too high?—A. I thought it was too high in some places and too low in others; and I still think so.

Q. It is too high as to loans above \$300?—A. Yes. In fact, I do not think that the companies should be allowed to lend amounts above \$300.

Q. And too low as to loans below \$300?—A. Too low as to loans below \$100.

Q. Well, what rate did you argue that loans up to \$100 should bear?—A. I was not arguing. At that time in 1934 I was not arguing anything at all about it.

By Mr. Vien:

Q. What would you suggest now?—A. What I suggest now is this: I am frank to say that I do not know what the actual costs of doing business in Canada are, but I say that you can start off with this, that when you put up a ceiling, a maximum loan of \$500, and allow these companies to loan above \$300, you are doing something which takes them out of the small loan business and into the banking business, and that is wrong. That is what I say. You go to the United States where they have had some experience with these companies—and I am not going to make a categorical statement because I do not pretend that I know everything about this thing, but I will say that where there are uniform small loan laws as recommended and as suggested by the Russell Sage Foundation, a small loan company is not permitted to make a loan above \$300.

By the Chairman:

Q. I understood Mr. Cleaver to ask what you thought the rate should be on a loan of \$100 and less?—A. As I say, I wrote a pamphlet about this thing at the time the Senate committee was sitting; and at that time I evolved a rate

[Mr. Lionel A. Forsyth.]

scheme which provided for rates as high above \$300 as these. But I said in that pamphlet, and I am quite genuine about it, at the time I did not know very much about this thing. I had studied it some but I had not had the opportunity to make the studies I wanted to. I suggested to the Senate committee that they should study it a bit and that the matter should be thoroughly investigated. I did the best I could. I have written letters. I have got letters here and replies—I must have written to fifty people, I suppose, scattered over the United States, bank commissioners, supervisors of small loans, better business bureaus, labour organizations, and tried to get their views about it. I think the letters are here. I was not arguing for either case. I wanted to get information, and the information I got was that they all felt that loans below—of \$100 or less should receive a substantially higher rate so as to attract money into that field; that loans from \$100 to \$300 should get a substantially lower rate, but that no loans above \$300 should be permitted to be made by these companies. The argument they use, and I adopt it because I think it is sound, is that they say that the only justification for the existence of these small loan companies is that they will tend to eliminate the high rate loan sharks, and that just as sure as you make the higher brackets, that is loans from \$300 to \$500, attractive for these loan companies, the money will go into that field, and will not go into this field of \$100. And if you look at the experience of these companies, which is a rather limited one compared with the companies of the United States, you will see this surprising thing—how little money there is loaned in the brackets below \$100 and how large an amount is loaned in the brackets above \$300.

Q. Mr. Forsyth, I do not like to interrupt, but are you not just repeating what you previously said? You have not yet answered the question as to what you think the rate should be on loans of \$100 and less?—A. I am sorry. What I thought, or what I was trying to say, Mr. Moore, was this—

Q. What should the rate, in your opinion, be on loans of \$100 and less?—A. Well, I think the only criterion I can form is the experience in the United States, because we have not got any experience here.

Mr. CLEAVER: We want your answer.

Hon. Mr. LAWSON: Is this witness qualified to give an opinion here or not.

Mr. MARTIN: That is the point.

Hon. Mr. LAWSON: If he is qualified as an expert, let us have his answer instead of roaming all over the place.

The CHAIRMAN: That is what I had in mind.

By Mr. Cleaver:

Q. I suggest that you have already pretty well committed yourself to a rate of $3\frac{1}{2}$ per cent in the material you have filed.—A. What material have I filed, Mr. Cleaver?

Q. Well, I have exhibit 2 before me.

Mr. VIEN: Will you show the witness?

The WITNESS: I have got this pamphlet, but I did not file any material here.

The CHAIRMAN: The material that was circulated.

By Mr. Cleaver:

Q. You still stand by the facts contained in that?—A. I do not think you should put it just that way.

By Mr. Vien:

Q. Can you tell us, in answer to the chairman, if you have arrived at any considered opinion as to what the rates should be on loans of \$100 and less?—A. I have arrived at a conclusion which is not based upon the experience which I think we ought to have.

Q. Based on whatever experience you have, what should the rate be?—A. Well, I think the rate on a loan of \$100 and less should be 3 per cent per month. That is what I think it should be.

Q. And from \$100 to \$300?—A. And from \$100 to \$300, I think it should be 2 per cent.

By Mr. Martin:

Q. Two per cent?—A. That is what I think.

By Hon. Mr. Stevens:

Q. Is that in accordance with your pamphlet?—A. No. That is a lower figure than I had in that brief.

By Mr. Cleaver:

Q. Coming back to exhibit 1, page 4, paragraph 2, you knew that the rates provided—

Mr. TUCKER: You might as well ask what he thinks in regard to loans over \$300.

Hon. Mr. LAWSON: He does not think they ought to be allowed.

Mr. TUCKER: You might ask what rate he thinks they should be allowed.

The WITNESS: After the submission of this memorandum to the Senate committee in which I had advocated rates higher than I say now, I got more information; and before that Senate committee was over I stated then that I did not think the rate above \$300 should be more than 1 per cent a month. Now I have come to the conclusion that they should not be permitted to make those loans at all.

By Mr. Jacobs:

Q. May I ask you this question, Mr. Forsyth: Your firm is general counsel for the Royal Bank of Canada, is it not?—A. I believe it is, yes.

Q. I think it is well that this fact should be before the committee.

By Mr. Vien:

Q. Is your opinion influenced by that fact with respect to loans of \$300 and above?—A. The fact that I am acting for the Royal Bank?

Q. Yes?—A. Not at all.

Q. How can you draw the line as between \$300 and \$500? If it is permissible for such a company to loan \$300, why should it not be permissible for them to loan \$500?—A. Because, Mr. Vien—the only reason that I can see for giving any of these companies authority to charge rates higher than those permitted by the Interest Act for these loans is so that they will give the necessitous borrowers an opportunity to get money at rates which, at any rate, are far more reasonable than those charged by loan sharks.

Q. Do you not think there might be necessitous borrowers in the brackets of \$300 to \$500?—A. I think not, for the reason that the Russell Sage Foundation made a very comprehensive survey in this matter and after studying the whole situation in the United States they fixed \$300 as the top limit. Only yesterday, in a conversation with a gentleman who supervises small loans in the State of Massachusetts, he told me that that was his belief, after an experience of some fifteen years.

Q. Is there not legislation in the United States to the effect that small loan companies are not permitted to do that?—A. The uniform small loan law.

[Mr. Lionel A. Forsyth.]

By Mr. Cleaver:

Q. I take it that your objection to these companies having jurisdiction above \$300 is that they are encroaching on some other field, and that the service is not necessary. Is that it?—A. Well, that is one way of putting it. I do not put it just that way.

Q. Is that not the plain way of putting it, that the service is not necessary?—A. That is one plain way of putting it. There are several plain ways of putting it.

Q. The service is not necessary, because the field is already covered?

Mr. VIEN: Let the witness make his own statement.

The WITNESS: What I would say about that is that not only is the service not necessary, but where you allow these people—and I am not saying anything derogatory about any company; I say the same thing about the company that I represent—where you allow them to charge these high rates in the high brackets, the tendency is for the money to go in there where there is less expense of doing business and where larger profits are possible; and that the place that these companies should be destined to fill is not filled by them at all and the small borrower is left to the loan shark.

By Mr. Cleaver:

Q. With regard to these companies which supply the need in the \$300 class and upwards, what rate do they charge?—A. What companies?

Q. Well, the companies that you have been telling us about. You have already told us that there is no need for the small money lender to enter the field from \$300 and upwards. I say what corporations enter that field and supply that need?—A. In Canada?

Q. Yes?—A. Well, the banks supply it.

Q. Yes, and they charge a much lower rate?—A. It depends on what sort of security they get. I think the personal loan department of the Canadian Bank of Commerce, which is the only bank I know of which has made a real gesture in that branch so as to give it a separate department—their discount rate I think in the repayment plan gives them somewhere around $1\frac{1}{2}$ per cent a month.

Q. That is a much lower rate than we are now considering.

By the Chairman:

Q. $1\frac{1}{2}$ per cent?—A. $1\frac{1}{2}$ per cent.

An hon. MEMBER: 6 per cent discount.

The WITNESS: I think you will find that their rate works out to about $1\frac{1}{2}$ per cent a month.

By Mr. Cleaver:

Q. I suggest to you that their rate being so much lower, the competition will eliminate these other companies out of the field that is already served. In other words, you would not pay \$50 for a suit which you could buy for \$25?—A. Well, there are a good many things that enter into that. That is one of the reasons why I thought this matter should be very much more deeply investigated than it has been to date.

Q. Yes. Coming back to your letter—

The CHAIRMAN: That is what we are doing now, Mr. Forsyth; we are investigating this matter, and you are brought here to give us assistance.

The WITNESS: I will do anything I can to help you.

By Mr. Cleaver:

Q. Coming back to that letter, the second paragraph on page 4, where you thought the rate permitted by the proposed Bills H and C of the Senate are much too high?—A. Yes.

Q. Mr. Tucker has asked me to bring out that with respect to Bill C the proposed rate is $1\frac{1}{2}$ per cent per month on loans secured by endorsers?—A. Yes.

Q. And then as to other loans the rate is $2\frac{1}{4}$ per cent per month?

Mr. TUCKER: I wanted the record to be right.

By Mr. Cleaver:

Q. And as to Bill H, the rate was uniform at 2 per cent per month?—A. That is right.

Q. And you say that those rates are much too high?—A. That is what I said.

Q. I am reading from exhibit 2 at page 22, the middle of the page: "At $2\frac{1}{2}$ per cent a full loan service is impossible."—A. That is right.

Q. "Licensed lenders who obey the law find it economically impossible to make loans of \$100 or less, and these applicants for the little loans are the more necessitous and the more dependent on the protections of the Act."—A. That is correct.

Q. "How is it possible to visualize a successful operation in a country with few concentrated centres of population?"—A. Where is that?

Q. "—such as we have in Canada at a rate of 2 per cent?"—A. Where is that?

Q. On the same page.—A. I do not just see that. Oh, yes, but you did not read the whole sentence: "If in such a populous state as New Jersey it has been found impossible to procure a satisfactory full loan service at a rate of $2\frac{1}{2}$ per cent per month, how is it possible to visualize a successful operation in a country . . ." and so on.

Q. Yes.—A. I say if that is so; and that is the information I have.

Q. Then on page 24 of this document which you prepared a year ago—
—A. Page 22.

Q. At page 22, you say it is absolutely impossible for a company to give proper service at 2 per cent and $2\frac{1}{2}$ per cent rates.—A. Yes; and I have not changed my mind.

Q. Then I pick up another article by Mr. Forsyth, who says rates are much too high.—A. Do you think that is a fair way to put that?

Q. I do not think that your last brief is a fair way at all, but that is only my opinion.—A. I will tell you something about that. I said those rates are much too high. I think they are much too high, and they are much too high because these people are given an opportunity to make these high bracket loans, and that is the position I have taken.

Q. Do you not think it would have been a great deal more fair if you had qualified your paragraph on page 22?—A. I think if you read through that brief, you will find there is a qualification in it.

Q. You can put anything on the record you like.—A. I will.

Q. But I fail to see it.—A. I will afterwards.

Q. Do you contend, Mr. Forsyth, that your company, the Discount and Loan Company, has been collecting less from its borrowers for these service charges and interest charges than Central Finance has been collecting?

Mr. TUCKER: Mr. Chairman, I do not see what this has got to do with it.

The WITNESS: I would not say they were not.

The CHAIRMAN: Mr. Tucker—

Mr. TUCKER: We are not interested in a fight between these companies.

The CHAIRMAN: Mr. Tucker, we have given you a good deal of latitude in this committee, and I know you are prepared to extend to Mr. Cleaver and Mr. Forsyth the same latitude.

Mr. TUCKER: I just want to point out that we are not interested in a fight between these companies.

[Mr. Lionel A. Forsyth.]

The CHAIRMAN: Not at all. But we were not interested in some of the things you brought out. I may say we have given a good deal of latitude here, and I do not think we should change our procedure now.

By Mr. Cleaver:

Q. Mr. Forsyth, in your brief or memorandum, exhibit 1, you have stated the rates are much too high?—A. That is right.

Q. I am asking as to whether the rates charges by your company for this similar service are higher or lower than those charged by Central Finance, whose bill you are opposing?—A. I would say that the rates charged in the upper brackets by the Discount and Loan at the present time are lower than those which are sought to be obtained in these bills. The rates in the lower brackets are probably higher. I think they are higher. Mr. Finlayson will know, but I think they are higher than the rates sought by these bills. The point I make about that—

Q. In the aggregate?

Hon. Mr. STEVENS: Let him answer, Mr. Cleaver.

By Mr. Cleaver:

Q. In the aggregate, what do you say about the rates charged?

Hon. Mr. STEVENS: Why not let him answer?

Mr. CLEAVER: I just repeated the question.

The WITNESS: What I wanted to say—you break in with another question there. The point I wanted to make about it was this, that if you adopt the thesis that I have, that the reason for the existence of these companies is to enable the small borrower to get loan service, that if you make the lower bracket loans less attractive and the higher bracket ones more attractive, you are defeating the purpose of these bills. That is the point I wanted to make. On the question of the aggregate charges, there is a return filed with the Department of Insurance every year.

The CHAIRMAN: Will you raise your voice a little bit, Mr. Forsyth?

The WITNESS: There is a return filed every year. Perhaps if Mr. Cleaver stood back where he was, maybe it would be better.

The CHAIRMAN: Yes, maybe that would be better.

The WITNESS: You will find, Mr. Cleaver, if you examine the returns that are filed with the superintendent of insurance, it will bear any comparison with the rates that are there. I do not suggest for a moment that the Discount and Loan are more philanthropic in their attitude towards borrowers than the Central Finance or anybody else.

By Mr. Cleaver:

Q. I was just bringing that out to suggest that perhaps the general counsel for a company that is charging a little more to its borrowers than these other companies are is hardly in a fit position to criticize.—A. I do not know, if he is prepared to advise his company, as I have advised them, that the rates they are getting in these higher bracket loans are much too high. I have told them that. I think I am not stepping out of the picture if I say to other people what I have told them about it, providing I am consistent about it.

Q. Would you refer to the booklet I have given you, the 1935 report?—A. Yes.

Q. At page 36?—A. Yes.

Q. I take it that the interest rate of both of the companies will be alike, and the principal variance, if any, will be in service charges. You agree to that?—A. No, I would not agree with that.

Q. No?—A. I would not agree to that, because there should not be any variance in service charges in loans over the same period.

Q. What form of comparison would you suggest would be fairer? Would you suggest a percentage form to the total income?—A. I doubt very much if you can get a satisfactory form of comparison unless you know the terms of the loan. If you take a loan of \$200, and if you assume—we will leave the chattel mortgage fee out of it for the moment—that the Central Finance has the right to deduct—and the loan is made for a year, you see—if they had a rate of discount of 7 per cent from the principal of that, that is \$14, and a discount of ½ per cent for service charges, that is \$4; that is \$11 on a loan of \$200 for a year.

By Hon. Mr. Stevens:

Q. You said \$14 and \$4.—A. \$14 and \$4, that is \$18, on \$200 for a year. If they make a loan of \$200 for six months, then discounting at the same rate, you have \$3.50; you have \$7 for interest and you have got \$4 for the service charges which is \$11, so that for two loans of \$200 for six months each, you get \$22 against \$18. So that the term of the loan is an important thing.

By Mr. Cleaver:

Q. I quite agree with that.—A. That is why it is difficult to make a real comparison.

Q. Do you suggest that the company for whom you act does a different type of business than the business done by Central Finance?—A. Well, a different type—I imagine they are in the same sort of business; I know Central Finance does a very much larger business.

Q. Do you suggest there would be any marked difference in the length of the loans or size of the loans that Central Finance give?—A. That is a matter really, Mr. Cleaver, about which I have got very little information. It is information I can get, if you would like me to get it.

Q. It might perhaps be of interest. Following through this item, and you can tell me if you think the comparison is unfair, on page 36 of the Central Finance report—A. Would you excuse me one moment while I make a note?

Q. What we would like in that regard would be the percentage, of the loans or the number of loans in 1936 made by your company below \$100, from \$100 to \$200, from \$200 to \$300 and from \$400 to \$500.—A. Well, Mr. Finlayson had before the Senate committee a statement for 1935. He had one with all the companies on it. Perhaps if I would show you that—

Q. I think that would show great similarity in the type of business.—A. If you take a look at it, you can see whether that is the thing you want. He had all the companies together. Here is number 1, number 2 and number 3. I take it that that is Central, that is Discount and Loan and that is Industrial. I think that is it. You will have to ask Mr. Finlayson. Then he has an analysis for 1935.

Q. That is fine.—A. That is 1935. I think we can probably dig up the same thing for 1936.

Mr. FINLAYSON: Yes, that is right here.

The WITNESS: If that form is satisfactory, I can give that to you; and Mr. Finlayson will get those figures for you later.

Mr. CLEAVER: I would like to file this as Exhibit 3. It is a statement showing the number of loans of the Central Finance, Discount and Loan and Industrial, and the amounts of each, classified under the different headings, \$1 to \$50, \$50 to \$100 and so on.

Exhibit 3: Statement re loans.

The WITNESS: Would you see to getting that copied, please? I would like to have that back.

Mr. CLEAVER: I will be glad to do that.

[Mr. Lionel A. Forsyth.]

Hon. Mr. STEVENS: Perhaps Mr. Finlayson could file it.

Mr. FINLAYSON: Is that the one I had last year?

The WITNESS: Yes.

Mr. FINLAYSON: I can give you a duplicate.

By Mr. Cleaver:

Q. I take it from what you said that the loans from \$1 to \$100 would be the most expensive to the company to make from the standpoint of services rendered per dollar of loan?—A. I should think so, yes.

Q. I see from this statement that the Central Finance had at this time 6,091 loans under \$100.—A. Over \$50 and under \$100, I think you will find. Is that not right?

Q. Well, I have grouped the \$50 and \$100, and make them all under \$100.—A. Yes. There is another group there of \$1 to \$50, is there not?

Q. Yes, but the others do not show that, and that is why I have grouped them all together in one, \$1 to \$99.—A. Yes. They had 10·7 per cent of the total amount they had loaned there under \$100, if I remember rightly.

Q. I am asking for the number of loans, not the percentage of dollars.—A. Oh, I see.

Q. Then I come to the Discount and Loan.—A. Mr. Cleaver, will you allow me to interrupt you there?

Q. Yes.—A. I do think that the number of dollars is a pretty good index. That has been my experience.

Q. We will come to that later. We will take the number of loans first. That is on the first page. Then coming to the Discount and Loan, I find that out of a total of 2,463 loans, their loans under \$100 amounted to 523.—A. Yes, 523 loans.

Q. Yes, 523 loans. Thank you.—A. Yes, that is over 20 per cent, is it not?

Q. I have not just got the percentage.—A. The percentage you will find worked out.

Q. Yes, I see it is in the next column.—A. Yes, in the next column.

Q. That is, Central Finance in this more expensive type of loan to the company had 25 per cent of their total number in that low bracket group and Discount and Loan had just 21·2 per cent in the group?—A. I think that is probably right, in the number of loans.

Q. So that when I compare the gross earnings of the two companies——A. But I think, Mr. Cleaver, you asked me for a statement if I thought you were being fair in these comparisons, and I will give it. I think what you ought to compare is the percentage of money that is loaned in these things. You will find, if you will look over in the fourth column, that 10·7 per cent was loaned in the lower brackets by Central and 9·8 by the other company.

Q. Well, that carries the same proportion as 25 to 21, does it not?—A. Well—

Q. That is, when we are dealing with the percentage of dollars in the lower bracket loans, we find that Central Finance had 10·7 per cent of the loans at less than \$100 and that the Discount and Loan had 9·8.—A. That is correct.

Q. So that when I take these figures of the total earnings of the two companies and compare them, if anything I am giving your company an edge on the deal?—A. I do not know how to explain that, unless you tell me whether—

Q. Surely the statements speak for themselves.

Mr. LANDERYOU: I cannot see what value this has to the committee, it seems to be a squabble between counsel.

The CHAIRMAN: I must confess that I cannot see what bearing it has, but then there have been a lot of arguments made during the course of our

discussions which I could not see had much bearing on the matter before us; however, we have allowed others to proceed and I do not see why we should not also let Mr. Cleaver proceed.

Hon. Mr. STEVENS: May I call your attention to the fact that we have not a quorum here.

Mr. QUELCH: If we are going to investigate the Discount & Loan company would it not be better for us to have the Vice-President or some officer of that company who would be in a position to supply us with complete information?

The CHAIRMAN: We arranged to have Mr. Forsyth here, whether rightly or wrongly, as an expert on these matters, and we are trying to get some information that bears on the whole subject.

Hon. Mr. STEVENS: I draw your attention to the fact that there is not a quorum present, and I would ask that the clerk make a note of the fact.

Mr. VIEN: Under Rule 655 in Beauchesne you will find that upon a quorum being not present the Chairman can suspend proceedings until such time as a quorum is present.

The CHAIRMAN: We will have to take a count, I know a lot of the members have gone out.

Hon. Mr. STEVENS: The clerk of the committee has a duty to perform, and I would ask that the clerk perform that duty.

The clerk having reported a quorum not present:

The CHAIRMAN: The committee stands adjourned until four o'clock this afternoon.

Mr. MARTIN: Oh, Mr. Chairman, why not wait a little while. I think the rule permits that.

The CHAIRMAN: We will wait a while and see if some of the members come back.

While we are waiting I might read the rule under which we work. I refer to paragraph 655 of Beauchesne:—

If, at any time during the sitting of a select committee of this House the quorum of members fixed by the House shall not be present, the clerk of the committee shall call the attention of the Chairman to the fact, who shall thereupon suspend the proceedings of the committee until a quorum be present, or adjourn the committee to some future day.

The committee took recess at 12.05 p.m.

AFTERNOON SITTING

The committee resumed at 12.25 p.m.

The CHAIRMAN: Members of the committee will please stand.

The CLERK: There is a quorum present, Mr. Chairman.

The CHAIRMAN: You may proceed, Mr. Cleaver.

The WITNESS: If you would like to have these shareholders; I see there is a letter dated 1931. I do not know of any change since then.

The CHAIRMAN: Order, please.

[Mr. Lionel A. Forsyth.]

By Mr. Cleaver:

Q. Just one more question, if I may; referring to exhibit 3, Mr. Forsyth, I see that this is very carefully worked out, and I see that the average monthly rate charged on collecting by Central Finance including all service charges, interest charges and other charges is 2·263 per cent; would you follow that paragraph?—A. Mr. Finlayson is the one who got that statement out. I think it is right. Mr. Finlayson says that is correct.

Mr. VIEN: Would you mind giving me just a second? So that we shall have no further difficulty in respect to a quorum, I would move that when this committee adjourns it stand adjourned until 4 o'clock this afternoon.

The CHAIRMAN: Is that your pleasure?

Motion agreed to.

By Mr. Cleaver:

Q. You have verified that?—A. I observe that.

Q. And that the rate per month charged by the Discount & Loan company for the same amount is 2·339?—A. That is so.

Q. And that the rate charged by the Industrial Loans per month is 2·383 per cent?—A. Yes. I think you would have to adjust that because certain insurance income I think is taken into that.

Q. So far as the borrower is concerned these are the prevailing rates?—A. I understand from Mr. Finlayson—he prepared this statement, I did not—I understand that these rates that these calculations are based upon the loans being all chattel mortgage loans, and that you consequently must adjust the rate of the Industrial Loan company by deducting 1·48, which leaves their rate at 1·67.

Q. The figures I have given are correct as to Central and as to Discount and Loan?—A. Yes, Mr. Finlayson says yes.

Q. From that it is very clear that the rate which your company has been quoting is quite as much as the rate quoted by Central Finance?—A. Oh, certainly, yes.

Q. And this proposed legislation would reduce the rate to be collected by discount and loan by a fifth, and would reduce the rate to be collected by your company in the same amount?—A. I do not think that is so.

The CHAIRMAN: Not this legislation; this legislation, as I understand it, applies to only the one company.

Mr. CLEAVER: Yes, it would reduce Central by one-fifth.

The CHAIRMAN: Yes.

The WITNESS: I do not think that is so. I think you would have to know what type of business they were going to do; because certainly this legislation will increase the rate in the higher brackets.

By Mr. Cleaver:

Q. I am quite content, I will leave that with the statement as filed, exhibit 3?—A. You can't leave it with the statement as filed and ask me questions about it, because I tell you the rate increases in the higher brackets.

Q. The percentages shown on this statement are on all brackets?—A. The high bracket loan rate has had an increase.

The CHAIRMAN: Now, gentlemen, while Mr. Forsyth is being examined certain questions were asked affecting Mr. Finlayson, and I suggested that we hear from Mr. Finlayson now.

Mr. TUCKER: I would like to examine Mr. Forsyth on some statements of my own.

The CHAIRMAN: All right. I thought probably Mr. Forsyth would like to be here when Mr. Finlayson was making his comments.

The WITNESS: I would.

Mr. TUCKER: It is just whatever you want.

The CHAIRMAN: All right, Mr. Tucker.

By Mr. Tucker:

Q. I understand, Mr. Forsyth, that the bulk of the loaning made by the Discount and Loan is largely on industrial loans, on guaranteed paper, it is not unsecured?—A. I have heard that statement made about industrial loans and I am not prepared to say that it is not true about Discount and Loan; my impression is that Discount and Loan do both, they loan on chattel mortgage—but, as I say, I have not followed their loaning business very closely and I do not know. Mr. Finlayson would know about that.

Q. I see. Well, I will ask you this question—Mr. Finlayson can give us the facts. You say that a very large proportion of the loaning by Industrial Loan was on guaranteed paper, on endorsements, the rate on those could not be raised higher than 1.5 per cent a month, even on the most favourable construction of the law?—A. Yes, if you have that qualification in mind, under the most favourable construction I would say that they could not get more than 1.5 per cent altogether. I would say that in the most favourable construction it gives them only 1.5 per cent.

Mr. VIEN: I do not believe that is true of Industrial. Industrial is 1.82, if I mistake not.

The WITNESS: I think you are wrong about that.

The CHAIRMAN: I propose to leave the examination for the moment with Mr. Tucker and to allow him to proceed.

Mr. VIEN: All right.

By Mr. Tucker:

Q. It is apparent that the right given to them to charge 7 per cent interest per annum gives them the right to charge an effective rate of 10 per cent per annum, and the right to deduct 2 per cent ahead of time, making the effective rate 14 per cent, and that brings it to 1.18?—A. That is right.

Q. And on the most favourable construction of the law that is the limit that they can charge on that type of business in Quebec?—A. That is right.

Q. And the Industrial Loan & Finance does business in Quebec almost exclusively?—A. I do not know anything about the division of their business, I know they do a large volume of business in Quebec.

Q. So, when we pass that legislation giving them the right to charge an effective rate of 7 per cent, we are increasing the rate in regard to that type of loan?—A. That is my understanding of it, yes.

Q. How long have you been practising law, Mr. Forsyth?—A. I started in 1918, that is nineteen years.

Q. You have been practising law for nineteen years?—A. For nineteen years, yes.

Q. I would like to have your opinion as to section 2 of chapter 94 of the Statutes of 1929?—A. What company is that?

Q. Page 73 of the Statutes.

The CHAIRMAN: Mr. Forsyth is here as a witness, not as counsel.

The WITNESS: What company is that? Is that the charter of the company?

Mr. TUCKER: Central Finance Corporation, the 1929 Act, chapter 94.

[Mr. Lionel A. Forsyth.]

Mr. WALKER: I thought this witness was called as an expert in the small loan business.

Mr. TUCKER: I would like to ask his opinion on this matter.

The CHAIRMAN: Let us hear the question.

Mr. TUCKER: Of course, I can understand this gentleman does not want the answer.

Mr. MARTIN: That is an improper remark.

The CHAIRMAN: Let us have the question, Mr. Tucker.

Mr. WALKER: I thought Mr. Tucker was endeavouring to be fair, but it seems not.

Mr. TUCKER: I certainly was fair, and I object to that. I ask that that statement be withdrawn. If colleagues of mine think that a parliamentary agent practising before this committee has a right to stand up and say about another member of the committee that he is not trying to be fair, I object to that. If the committee thinks that is O.K., it is all right with me. I can put up with it. But I do not think it should be permitted.

Mr. VIEN: Mr. Chairman, I rise to a point of order, as to the remark made by Mr. Tucker to the counsel. Mr. Tucker suggested that counsel did not want Mr. Forsyth to answer the question. To that counsel objected, and he said that it was unfair. I do not believe that any of these remarks are proper or to the point, and both should be deleted from the record.

The CHAIRMAN: Let us proceed, Mr. Tucker.

Mr. TUCKER: Mr. Chairman, I would say in answer to Mr. Vien that when I am trying to examine the witness, I object to interjections by Mr. Walker.

The CHAIRMAN: I suggest that we have no interjections from anyone except from the Chair.

Some HON. MEMBERS: Hear, hear.

By Mr. Tucker:

Q. I am asking you, Mr. Forsyth, in regard to section 2 of Chapter 94 of the Statutes of 1929, which gave the powers to the Central Finance Corporation and which provides as follows:—

Notwithstanding anything contained in the Interest Act, or in the Money Lenders Act, or in paragraph (c) of section 63 of the Loan Companies Act:—

(1) Lend money secured by assignment of choses-in-action, chattel mortgages, or such other evidence of indebtedness as the company may require, and may charge interest thereon at the rate of not more than seven per centum per annum and may deduct such interest in advance and provide for repayment in weekly, monthly, or other uniform repayments:

The CHAIRMAN: Mr. Tucker, the reporter is trying to take this down.

Mr. TUCKER: I am citing the whole section. He can get it.

The CHAIRMAN: You are reading very rapidly, and we cannot understand what you are reading when you read that rapidly. If it is worth reading at all, you should read slowly so that we can understand it.

Mr. TUCKER: If there is anything you did not understand, I will run over it again.

The CHAIRMAN: Never mind that.

Mr. TUCKER: Continuing with the section:—

Provided that the borrower shall have the right to repay the loan at any time before the due date, and, on such repayment being made, to receive a refund of such portion of the interest paid in advance as has not been earned, except a sum equal to the interest for three months.

The CHAIRMAN: What is your question, Mr. Tucker? The witness is an expert.

Mr. TUCKER: I want that in the record, though.

The CHAIRMAN: We will put it on the record.

Mr. TUCKER: I want the rest of the section on the record.

The CHAIRMAN: All right. Hand it to the reporter.

Mr. TUCKER: All right.

The remainder of section 2 is as follows:

(ii) charge, in addition to interest as aforesaid, for all expenses which have been necessarily and in good faith incurred by the Company in making a loan authorized by the next preceding sub-paragraph (i), including all expenses for inquiry and investigation into character and circumstances of the borrower, his comaker or surety, for taxes, correspondence and professional advice, and for all necessary documents and papers, two per centum upon the principal sum loaned;

(iii) notwithstanding anything in the next two preceding sub-paragraphs (i) and (ii) the company shall, when a loan authorized by the said sub-paragraph (i) has been made on the security of a chattel mortgage, be entitled to charge an additional sum equal to the legal and other actual expenses disbursed by the company in connection with such loan but not exceeding the sum of ten dollars;

but no charge for expenses of any kind shall be made or collected unless the loan has been actually made, or unless such a loan has been renewed after one year from the making thereof or after one year from the last previous renewal thereof."

By Mr. Tucker:

Q. What is your view, Mr. Forsyth? Does that give the right to charge 7 per centum per annum on money loaned or an effective rate of 14 per cent per annum?—A. My opinion about that, Mr. Tucker, is that that allows that company to charge 7 per cent per annum; that is, a rate of interest of 7 per cent per annum. If they deduct that interest in advance so that they receive an effective rate of 14 per cent. I do not think the act authorizes that myself.

Mr. MARTIN: Mr. Chairman,—

The CHAIRMAN: Order.

Mr. MARTIN: I rise to a point of order.

The CHAIRMAN: All right I cannot stop you.

Mr. MARTIN: This witness has been called here as an expert on the business of loaning money—loaning and borrowing money by small loan companies. That is the only reason why he is before this committee. He is not called upon here in his capacity as counsel for that loan company or as a lawyer generally at all. I suggest that the question put by Mr. Tucker is not a proper question, and that the answer is likewise not proper and that both question and answer should be taken from the record; and that any other questions directed to this witness should be in reference to the reasons for which he is brought

[Mr. Lionel A. Forsyth.]

here, namely, to give us expert evidence on this whole business. I mean, my own opinion as a lawyer, I would suggest, would be just as valuable as Mr. Forsyth's.

The WITNESS: I agree with that.

Mr. MARTIN: As would that of any other legal member of this committee; and to ask the witness is, I think, to ask a question not properly put or to which the witness cannot properly answer, by virtue of the reason for which he is here.

Mr. TUCKER: Mr. Chairman, when the motion was made that Mr. Forsyth be called here to give evidence and that we would hear him, I understood he was going to give this committee the benefit of his experience in regard to this matter, both as counsel and otherwise. Mr. McGeer so stated. I am sure that I do not know what was in Mr. McGeer's mind as to the purpose for which he was being called. But I do suggest this, that when he is here, it is fair to ask him as counsel of nineteen years standing in the Province of Quebec and in this country whether he thinks my suggestion of the other day that this company has been breaking the law is correct or not. If they have been breaking the law, Mr. Chairman, they have no right to this bill. I want to ask this witness. I do not know what his opinion is on the matter. I just wanted to have that. It is for the committee to decide for themselves whether they accept it or not. I submit it is a proper question.

Mr. VIEN: On a question of order—

The CHAIRMAN: Just a minute. I will make a ruling. We have here the records of the standing committee.

Mr. VIEN: Before your ruling, Mr. Chairman—

The CHAIRMAN: The record reads as follows:

Mr. Vien moved that Clause 1 carry.

Mr. McGeer arose to speak and continued at considerable length to give his views on the legislation before the committee.

There were many interruptions including some suggested motions, verbal and written, but as Mr. McGeer had the floor, all were more or less out of order. Mr. McGeer submitted a motion and several other members suggested motions and suggested amendments to Mr. McGeer's motion. After much discussion the following motion by Mr. McGeer, seconded by Mr. Tucker, was adopted:—

That Mr. Lionel Forsyth, K.C., of Montreal be invited to attend and give evidence before this committee on the matter now under consideration, with the understanding that Mr. Forsyth appears at his own expense on Thursday, April 1.

Mr. JACOBS: Shame, shame.

The CHAIRMAN: You have the motion there. You have the reason as set down there by the record for Mr. Forsyth being present here, and I think we will have to rule that you keep to that reason.

Mr. TUCKER: Yes.

Mr. VIEN: On the question of order that is now before the chair, with respect to the question which is put, that Mr. Forsyth be invited to state whether the company is breaking the law in doing this, that, or the other thing, I suggest that the question is out of order. It is not for Mr. Forsyth or any expert witness to state whether the company is breaking the law, but for the courts of the land.

Mr. TUCKER: I did not ask that question, Mr. Chairman.

Mr. VIEN: All right.

Mr. TUCKER: I asked—

Mr. VIEN: I will ask that it be read.

The CHAIRMAN: Let the record speak for itself. Mr. Tucker says he did not intend to ask it.

Mr. VIEN: I will withdraw the point of order if Mr. Tucker will put another question.

The CHAIRMAN: Put your question, Mr. Tucker, and save time.

Mr. TUCKER: In your opinion, Mr. Forsyth, does the section which I have just quoted to you give the Central Finance Corporation the right to charge 7 per centum per annum or 14 per centum per annum as an effective rate of interest on the money loaned?

Mr. VIEN: I rise to a point of order.

Mr. TUCKER: That is a proper question.

Mr. VIEN: I submit this—

The CHAIRMAN: It is hardly evidence.

Mr. VIEN: Mr Chairman,—

The CHAIRMAN: Excuse me a minute. Mr. Forsyth is not here as counsel to express opinions. He is here as a witness to give evidence; and I doubt very much—I have not yet made up my mind whether my doubts are right or wrong—whether it is proper evidence.

Mr. LANDERYOU: He is supposed to be an expert witness.

Mr. CLEAVER: An expert on the industry, not an expert on law.

Mr. QUELCH: We are interested in knowing if the present bill will raise or lower the rates of interest. First of all, we have got to know what is their rate paid under the present bill, and that depends on how that clause is interpreted. It is pointed out that this witness would be an expert witness. Mr. McGeer pointed out that he was a lawyer of many years standing, and therefore we should be allowed to get his opinion on these things. We must know whether the present bill is legal or illegal, and if the interpretation by the Finance Corporation is legal or not legal.

Mr. VIEN: Mr. Chairman, on that point I suggest to the chair that no lawyer is an expert capable of expressing an opinion on that point. They can argue the case before the courts of the land, but they are not proper authority to determine a point of that character. The law of the land can be interpreted neither by this committee nor by any expert before it. The law of the land must be interpreted by the courts.

Mr. TUCKER: Mr. Chairman, there is a decision that bears out what Mr. Forsyth has said. There is another decision of another court that says the opposite. That is under appeal, that is under litigation yet. The only decision that is final is the one that bears out what Mr. Forsyth says. I presume this committee wants to know—one of the reasons given why we should pass this bill was that we were told, "If you do not pass it, you are refusing to reduce the rate of interest from the $2\frac{1}{2}$ per cent that they can charge to-day per month to 2 per cent." That was thrown at all of us who were opposing the passing of this bill,—

Mr. VIEN: Mr. Chairman, that question—

Mr. TUCKER: —that fact that they could charge to-day $2\frac{1}{2}$ per cent and we were cutting down the rate to 2 per cent per month. If they have no right to run their charges up to $2\frac{1}{2}$ per cent interest per month, then that argument absolutely ceases to have any effect whatever. That to me is the vital point

[Mr. Lionel A. Forsyth.]

before this committee and before parliament—are we reducing the rate of interest by passing this bill or are we permitting this company to get away from the decision of the courts, that they have no right to charge this high rate of interest, that they can only charge 7 per cent per annum?

Mr. MARTIN: I rise to a point of order.

Mr. TUCKER: We have here—

Mr. MARTIN: I rise to a point of order,

Mr. TUCKER: —a company which—all right, state it.

Mr. MARTIN: Mr. Chairman, I rose and made my point of order. I think before Mr. Tucker has the right to go on that I should have a ruling from you on that point of order.

Mr. TUCKER: I am speaking to the point of order, Mr. Chairman.

Mr. VIEN: Not by a speech of that kind.

Mr. TUCKER: I am showing how it is relevant. We have here an expert witness, a lawyer. This committee wants to know what the effect of the law that parliament passes is, so that it will know whether it is increasing the rates of these companies or not. I asked Mr. Finlayson if there was an opinion obtained from the law officers of the Crown on the matter, and I was given to understand—I may have misunderstood him—that in some way we could not get such an opinion as to what the effect of the present power of the Central Finance Corporation is. I do submit this, that if we cannot get by expert professional evidence of barristers of standing in this province what is the effect of what parliament has already done, then I wonder, Mr. Chairman, how we are going to get it.

Mr. FINLAYSON: May I answer that question? I think the question put to me the other day was if the Department of Justice would not advise us as to which of these two conflicting decisions was right. That was the question, as I recall it. I think I said that I thought the Department of Justice would not express itself on that question, seeing that one of those decisions may be under appeal. There is just this other point. I doubt very much whether that Circuit Court decision in Montreal is in any way binding on a company in Ontario that does not do business in the province of Quebec at all. I think Mr. Walker should be heard on that point, because Mr. Tucker is basing his whole argument on the assumption that the Kellie decision is binding on the Central Finance Corporation.

Mr. TUCKER: Mr. Chairman, I am just wanting to get the opinion from this witness.

The CHAIRMAN: No, professional opinion.

Mr. TUCKER: Well, his professional opinion as an expert.

The CHAIRMAN: He is here not as counsel. If we wish to decide that matter in our opinion, then I think we should ask for counsel. But I doubt if it is a fair question to ask the witness who is appearing here and who, incidentally, has been sworn.

Mr. JACOB: That is the worst part of it.

Mr. TUCKER: Yes, a professional witness—for his professional opinion. I think every member of the committee and every member of the House of Commons must be interested as to whether we are increasing the powers of this company to charge higher rates or not. Surely the opinion of an eminent lawyer—

The CHAIRMAN: No, no—a sworn witness.

Mr. TUCKER: After all, Mr. Chairman—

Mr. VIEN: Mr. Chairman, my learned friend must know that the committees of parliament can be advised only by parliamentary counsel—the Minister of Justice or parliamentary counsel appointed to advise the committees. How can it be said for a minute that this committee would permit as an expert witness on law a solicitor for a competitive company which is appearing before the committee of parliament on behalf of a competitive company? His opinion as a solicitor is prejudiced. I know that Mr. Forsyth's company—

The WITNESS: I object to that statement.

Mr. VIEN: —has no bill before parliament; but Mr. Forsyth's company has been active in the committees of the Senate and in this committee by producing memorandums, producing books, and otherwise; and his opinion is prejudiced and he therefore cannot be called as an expert witness to enlighten the committee.

The CHAIRMAN: No, as expert counsel.

Mr. VIEN: Moreover, Mr. Chairman, on that point of order, it is not for any lawyer to be called to enlighten the committee. Parliamentary counsel is provided. In the Senate committee they asked Mr. O'Connor. Here we would ask either the Department of Justice or parliamentary counsel of the House of Commons, if we need advice on the law. I submit it is absolutely improper and out of order to ask a solicitor for a competitive company to express an opinion as to what are the rights and powers of their competitors.

Mr. LANDERYOU: I understand the Department of Justice is not prepared to make or give any decision on this question.

Mr. FINLAYSON: I have never referred that question to the Department of Justice. I merely expressed my opinion that they might not want to express an opinion.

Mr. LANDERYOU: Why can we not get an expression of opinion and clear up this question? Because if it is illegal for these companies to charge that exorbitant rate of interest, we should know it before we make any disposition of the bill.

Mr. FINLAYSON: I do not think the Department of Justice would want to set itself above the courts.

Mr. LANDERYOU: Until there has been a decision from the courts, I do not think we should proceed with this bill. Until this is decided, I do not think we should go on, because there is a lot of confusion.

Mr. MARTIN: On the question of the ruling—

Mr. WARD: Might I speak as a layman, Mr. Chairman. We are not all lawyers in this committee.

Mr. VIEN: Thank God.

Mr. WARD: I would like to say this, that a number of us are here with open minds on this question—

Mr. MARTIN: We are all here with open minds.

Mr. WARD: We have not made up our minds definitely as to what course we should pursue. Mr. Martin and Mr. Vien and the others who are definitely supporting the legislation should not be too touchy.

Mr. MARTIN: Just a minute. I object to that.

The CHAIRMAN: Now, now, Mr. Martin.

Mr. MARTIN: No, no. I really have an open mind in this matter as much as anyone else, and I do not think any member—I know Mr. Ward did not mean to suggest it, but I do not think any member should be put in that position.

The CHAIRMAN: Mr. Martin, every hon. member of this committee has an open mind. That is an official declaration of the Chair.

The WITNESS: I do not think it is fair to say that I am prejudiced.

[Mr. Lionel A. Forsyth.]

The CHAIRMAN: Mr. Vien, Mr. Forsyth takes objection to your statement that he is prejudiced. Mr. Forsyth apparently has an open mind also.

Mr. VIEN: I am quite willing to withdraw any objectionable expression, and I want it to be corrected on the record. What I had in mind is that Mr. Forsyth, acting on behalf of a competitive company, could not be called upon—it would be unfair for him, unfair for his clients, and unfair for the committee to ask an opinion of a solicitor who acts for a competitive company, to ask him to express a considered judgment on a question of law.

Mr. TUCKER: Mr. Vien knows perfectly well that interest only goes to the value of the evidence. It does not make it inadmissible. Mr. Vien knows that. Why does he get up here and try to say that interest disqualifies a witness?

The CHAIRMAN: Please, Mr. Tucker.

Mr. TUCKER: After all, some of us know a little bit of law, and we know that interest does not disqualify a witness. It only goes to the weight that should be attached to his evidence. We realize that Mr. Forsyth represents another company. After all, that has already been brought out.

Mr. JACOBS: Let us have your ruling, Mr. Chairman.

The CHAIRMAN: Is it the desire of the committee that Mr. Forsyth be asked to answer the question? Will all those in favour stand? Now those opposed? I declare the motion lost. The chair rules that the question is out of order.

Mr. WARD: I do not think you are in a position to rule that.

Mr. VIEN: The ruling is given.

The CHAIRMAN: Mr. Ward, will you please make your statement so that I can hear it?

Mr. WARD: I do not think you are in a position to rule that, Mr. Chairman, because the committee does not understand what is before it.

The CHAIRMAN: Well, I thought some of them did. They voted.

Mr. QUELCH: Mr. Chairman, we have had filed two briefs from this witness, and they are his interpretations apparently of the legal aspect, to a certain extent.

Some Hon. MEMBERS: No.

Mr. QUELCH: They refer to the interpretation of the act regarding these rates and file this.

Mr. VIEN: The facts.

The CHAIRMAN: The Chair rules that anyone in the committee may ask any question arising out of the brief.

Mr. VIEN: Yes.

Mr. CHAIRMAN: But the chair would suggest that no questions be asked that are not raised within the brief.

Mr. COLDWELL: In order that we may be quite clear with regard to this vote, if the vote is whether or not a question shall be asked from a counsel—

The CHAIRMAN: Yes.

Mr. COLDWELL: —on a point of law—

The CHAIRMAN: Yes.

Mr. COLDWELL:—then I say we shall vote in one way; if however, it is purely a point connected with the brief, then one would vote perhaps a different way. Just what is the point we are to vote on?

Mr. TUCKER: My question is this: Have these people the right to charge the rates which they have been charging, in your opinion?

The CHAIRMAN: I rule that is a matter of law, Mr. Coldwell.

Mr. COLDWELL: Yes, I think that is right.

Mr. MARTIN: All right.

Mr. TUCKER: After all—

Mr. MARTIN: We have had the ruling.

The CHAIRMAN: You have had the ruling. If you want to appeal—you cannot appeal, because the committee has made the decision.

Mr. LANDERYOU: We have had rates suggested by the witness, and we do not know as to whether or not it is legal or not. That is the question that is before us now. Are those rates suggested legal?

The CHAIRMAN: Mr. Landeryou, it is the obvious duty of the committee to have counsel, not to summon witnesses. This is a matter of fact arising out of the brief. That is my ruling, anyway.

Mr. JACOBS: Carried.

Mr. LANDERYOU: Let us have counsel, then.

The CHAIRMAN: I beg your pardon, Mr. Landeryou?

Mr. LANDERYOU: We should have counsel here so that we can settle it.

The CHAIRMAN: We have not counsel. If we want to, we can ask for counsel.

Mr. TUCKER: I certainly will not take time to appeal from your ruling, but I do think, following, on the examination, that I should have been permitted. However, I bow to your ruling, Mr. Chairman. Do you think this follows out the examination of Mr. Cleaver? If I am going to be stopped, he should have been stopped.

Mr. CLEAVER: Mr. Tucker, I asked for no expression of opinion from this witness as to the legal standing of anything. I simply examined him as an expert in the industry of rates.

The CHAIRMAN: Just a minute, Mr. Cleaver. Mr. Tucker has seen the disposition of the committee and they voted. He is not going to ask again any legal opinion. I know that.

Mr. TUCKER: I was going to ask, Mr. Chairman—perhaps your confidence in me was greater than what it should have been.

The CHAIRMAN: I have every confidence in you.

Mr. TUCKER: You can rule it out if you want to. I was going to ask: In your opinion, does subsection 3 give the company the right to charge for drawing a mortgage unless it spends money for doing so?

Mr. VIEN: That is the same point.

The CHAIRMAN: Oh, Mr. Tucker, please conform to the very apparent disposition of the committee.

Mr. TUCKER: All right. I thought if I followed along the examination of Mr. Cleaver—he went into that. The next thing I would like to ask this witness is with regard to the bill that went through the Senate. In the bill that went through the Senate, Bill C, it was provided that wage assignments should be prohibited. That is dropped in the proposed amendment that we are asked now to adopt.

By Mr. Tucker:

Q. Mr. Forsyth, what is your opinion as to whether or not wage assignments should be prohibited to companies like this?—A. I do not think they should be allowed, myself.

Q. You do not think they should be allowed?—A. No.

Q. So it would be, in your opinion, better to have them prohibited in an act such as this?—A. That is so.

Mr. MARTIN: May I ask, Mr. Tucker,—it will help your question—

The CHAIRMAN: I would suggest that we allow Mr. Tucker to finish his examination.

[Mr. Lionel A. Forsyth.]

Mr. MARTIN: I was just going to ask—

The CHAIRMAN: I know; but we want to get somewhere, if we can.

Mr. MARTIN: It will help Mr. Tucker's question.

By Mr. Martin:

Q. Does your company not permit that very thing in the United States?—

A. I suppose, where the law permits it, they do.

Q. The answer is they do?—A. Yes. But that does not alter my opinion that the law should not permit it.

Q. Well, the answer is yes.

Mr. TUCKER: I am not concerned in what this man's company does at all. If they were asking for these rights, I would oppose them too.

By Mr. Tucker:

Q. In regard to this act that went through the Senate I find: "Power to buy, sell and deal in conditional sales agreements, lien notes, etc." That power is taken from the company in the bill that went through the Senate; and in the proposed amendment it is left with them. Do you think it is a good thing. Mr. Forsyth, to distinguish the personal finance business from the business of financing trade paper for the purchase of new goods?—A. I think the personal finance business should be personal finance business, and that you should not get into these other fields at all. That is my opinion.

Q. So that you favour the bill as it went through the Senate rather than the proposed amendment in that regard.—A. In that respect I would, yes.

Q. In the bill that went through the Senate, section 4, enacting new section 6, sub-section 3, it provides—A. Excuse me just a minute. I do not have a copy of the bill before me.

Q. It is on page 3 of the Bill of the Senate, section 4 enacting section 6, sub-section 3.—A. I have it.

Q. It provides there that no other charges shall be exacted such as brokerage, commissions, bonuses, directly or indirectly, other than those provided for in the Act; and it shall not be done either by means of affiliated companies, collateral agreement, or otherwise howsoever; and if it is done the contract of loans is to be void; now then, what is your opinion, Mr. Forsyth; do you think that is a good section to have in an Act like this?—A. Perhaps I can put it this way; I think that these companies should be obliged to stick to their own business and that they should not be allowed to develop any collateral activity; and that I think is one of the effects of this section. I think that section is a proper section; that is, that it restricts the field of these personal finance companies to personal finance; but you have to couple it with some other things in order to make it work.

Q. Do you think that sanction is a good one, that it is effective, that it is one which should be retained in an Act like this?—A. I think that sanction is a good one, but I think there should be other sanctions too.

Q. Do you think it would be a step forward to drop that sanction as it is proposed to do in this Act?—A. No, I think it is a retrograde step.

Mr. JACOBS: I move that the committee adjourn.

The CHAIRMAN: Mr. Jacobs moves that we adjourn. We will meet again at 4 o'clock this afternoon.

The committee adjourned at 1.05, to meet again at 4 o'clock this day.

AFTERNOON SESSION

The Committee resumed at 4 p.m.

Mr. L. A. FORSYTH recalled.

The CHAIRMAN: Gentlemen, we heard from Mr. Cleaver this morning, and Mr. Tucker examined the witness at some length; I presume others may have questions they wish to ask the witness.

By Mr. Tucker:

Q. There was one further question I wanted to ask. In the bill as it went through the Senate there was a provision: "That the company shall not conduct the business of making loans under this act within any office, room or place of business in which any other business is solicited or engaged in, or in association or conjunction therewith, except as may be authorized in writing by the Superintendent of Insurance upon his finding that the character of such other business is such that the granting of such authority would not facilitate evasions of this act." Now, that provision is dropped from the proposed amendment. What would you say as to the desirability of having a provision like that in connection with an act like this?—A. I think it is a desirable provision. I am not sure—there might be a situation where it might be advisable to have some discretion in the Superintendent of Insurance. I cannot see how that could arise. I think that provision is a good provision—that the companies should not be allowed to conduct their business in conjunction with other matters. I agree with that.

By Mr. Deachman:

Q. Mr. Forsyth, there are one or two things on which I am not clear—rather I should say that there are a number of things—and I would like you to help in regard to this. I have a book here. I think this is yours?—A. Yes, that is exhibit 2.

Q. Now, I am not interested in what the particular rates were, but I am rather interested in this table which you have here at the last. I feel that the borrower should know what he is paying. You see my point?—A. I agree with you, yes.

Q. And in this case, in the table you have here—take that item of \$500 which is discounted to \$465 and then there is a stated payment of \$41.67 a month. Is that right?—A. \$500. Yes, I see what you mean.

Q. Then there is a payment, a monthly payment there of \$2.60 for a number of months?—A. Yes, it reduces finally to 75 cents.

Q. What is that payment for?—A. That payment is representing—what I had in mind when I prepared that table—you understand that was not a rate table; I prepared it to show how my thought of the rates would work out. I contended, and I still contend that you should have a difference between the hire of the money and the other expense, and that the expense of doing business—service, chattel mortgage fees, if you like—should be calculated in dollars.

Q. And stated to the borrower?—A. An stated to the borrower in dollars. But I also think the total should be stated to him in dollars because I feel—I have said it in that pamphlet and I do not want to leave it out—I feel that the way this thing should be done is that a man who is going out to buy the use of money should be told in arithmetic and not in algebra what he is doing.

Q. I am not sure that this does it, and I am not sure that the other plan does it?—A. When you are looking at these tables you must realize that these tables were prepared to show how my proposed rate scheme would work out as to what the monthly payments would be.

[Mr. Lionel A. Forsyth.]

Q. On this charge here of \$2.60 a month, that is a charge which would vary from time to time?—A. Well, it would unless it were fixed.

Q. You could not very well fix the costs because the costs will vary with the volume of business done.—A. Well, you can fix this. It has been found, I think, that in the United States where they state these rates under the Uniform Small Loan Law in terms of percentage, they fix the maximum of an all-inclusive per month charge, and then it is found that those maximums are not always charged, that competition in certain brackets puts the rates down and the volume of business enables the companies to do business at lesser expense.

Q. I am simply searching for some way which will make clear to the borrower what he is paying. Now, you have the 2 per cent a month charge. That satisfies me in regard to one thing; but I really wish there was some means of arriving at it so that the borrower would know what the cost ratio is and what he is paying for the money?—A. Yes. That is desirable. It is not an easy thing to do, and I do not think you can do it by making a percentage per month statement. My contention was that what should be done was that we should fix—take on that \$500 item you have there as an illustration, you could show the borrower that what he was paying for the use of that money over a period of time would be \$62.95. Now, my idea was that possibly the best way to restate his rate is to get the loans in various brackets and say that the over-all charge for the year will be so many dollars. Then if it is considered desirable to equate that in terms of percentages—if there is any value in that—it can be done.

Q. I think there is a decided advantage in that. I venture to make this suggestion, and I make it to the committee as well as yourself, that when a thing is stated in terms of per cent to a great many of the borrowers—unless they happen to be members of parliament, and sometimes then—they will not know what that means?—A. I always contend that, and I think I am right.

Q. I do not see what advantage there would be, and I am asking you on that basis?—A. May I interject something here? When Mr. Cleaver was examining me this morning, he made a statement about this pamphlet and made some suggestions to the effect that I was pretty well committed as to what I thought about rates in that pamphlet.

Q. I am not interested in that.—A. But I am interested in it, and if the chairman does not object I would like to make this explanation now, if I did not make it then: what I wanted to say about that was that when I prepared that pamphlet I had not had the opportunity of looking into this thing which I later had.

MR. JACOBS: Your hindsight was better than your foresight.

HON. MR. DUNNING: Aren't you ashamed to admit a thing like that in public?

THE WITNESS: I suppose I have a right to change my mind.

By Mr. Vien:

Q. Your opinion about it might change later?—A. Yes, that is possible. What I wanted to say in answer to Mr. Cleaver was this: in the first place, I am satisfied that I was, in relation to the information that I now have—I am satisfied that I was too high on the lower bracket in my statement there; and, in the second place, I am satisfied that I was satisfied before the Senate committee was through that those brackets from \$300 to \$500 should not be in these figures at all.

By Mr. Deachman:

Q. I am coming to that question, and that is what I want information on. Your suggestion is that the rates are too high?—A. Yes, in the higher brackets.

Q. Are they too low in the lower brackets?—A. I think they are too low in the lower brackets but I think if you could get the evidence of people who do this business—

Q. I think I am fair in stating this, that the committee is desirous of getting a lower rate in the lower brackets. We feel that the rate is too high.—A. I would say to that that the only real experience you can get on that, I think, is in the United States.

Q. Now the profits on this business, as you say, on the basis that has been suggested would be higher on the bigger loans?—A. Oh, yes; there is no doubt about it.

Q. Now, if you place a limit upon those loans of \$300 and limit these companies to \$300 loans, your profits would be reduced?—A. Certainly, they would be reduced. In these things you cannot make as much money—if you take four \$300 loans, we will say—that is \$1,200—you could not make as much money as you could with three \$400 loans, if you follow what I mean.

Q. If you limit the loans to \$300 the profits would be reduced, and their rates would have to go higher?—A. I would say this—I think that is true—but I say this that if you maintain a high rate in the upper brackets—the 2 per cent in the upper bracket—then you divert the money into the upper bracket, and the person who really needs the benefit of loan service does not get it.

By Mr. Jacobs:

Q. It all depends on the amount of money you have available?—A. The experience of other places is not that. The money goes out to other places.

By Mr. Deachman:

Q. I believe we had in previous evidence the average loan in the Dominion of Canada was \$169?—A. I think that is the average of the Central Company.

Q. And the average loan in the United States—I do not know where I got this; I am open to correction—was \$160 or \$165?—A. Yes.

Q. So that your average loan is relatively low showing that these companies must be loaning in the lower brackets?—A. In the United States.

Q. And in Canada?—A. Yes, but we have got the figures in Canada. You will find if you will look over the average record of these three loan companies—we have them here in 1935—that out of \$4,200,000—I am using round figures—the Central Company loaned 35 per cent of their loans in the brackets \$300 to \$500; Discount and Loan Company loaned 25 per cent of their money in the higher brackets.

Q. Between \$300 and \$500?—A. Between \$300 and \$500.

Q. Let me ask you this question: if we compare that with these loans between \$300 and \$500 and limited them to the loans on the \$300 there must necessarily be a substantial increase in the rates. Before you answer that let me give you the other suggestion which is in my mind, so you can have clearly what I mean. Am I right in suggesting to you when it comes to the loan of \$300 and \$500 the borrower has a larger field of choice?—A. The borrower has a larger field of choice, the Russell Sage Foundation contend, and certain people that I have spoken to about this also contend that the man who is entitled to get a loan over \$300 is quite usually better able to take care of himself.

Q. That is exactly what I am contending. The man below that is not so well able to take care of himself?—A. That is so.

Q. Therefore if you limit this company in its operations to the \$300 limit, or any company—I am not speaking of any company in particular—we are placing an additional load on the small borrower?—A. I do not think so, Mr. Deachman.

Q. You have just said—A. If you will let me explain why I do not think so—

[Mr. Lionel A. Forsyth.]

Q. Just a second. You have just said this, that there are charges that would have to go onto that?—A. Quite so; they would have to come down into the bracket below \$200. That is what I said this morning. If you can take experience—I may be wrong about this because if you get evidence in Canada you may find Canadian business may be done cheaper, I don't know. I know in the United States where the uniform small loan law is successfully operated—I refer there to the state of Massachusetts. There they have the limit of \$300, 3 per cent a month up to \$100, and 2 per cent above that. These are maximums.

By Mr. Baker:

Q. What is the maximum that this company now has?—A. The maximum is rather difficult to say. You have the 18·20 without discount—

Q. What is the maximum loan you can borrow?—A. \$500.

The CHAIRMAN: May I suggest we leave the witness in the hands of Mr. Deachman for the moment, so that he can complete his examination.

The WITNESS: I beg your pardon. I just made an error there. Mr. Finlayson points out to me that this company can loan over \$500. What I meant to say was they could not charge rates higher than those permitted by the Interest Act. On a loan above \$500 the man can contract for any interest he likes. The maximum in which these higher rates than those permitted by the Interest Act is allowed is \$500. That is what I meant to say.

Q. You will admit this in fairness, that the suggestion to limit it to \$300 must necessarily increase their costs and increase the loans below \$300?—A. It must necessarily increase one rate and that is the rate below \$500.

Q. I am not so sure about that. I think we might just as well assume it would have the effect upon others?—A. I do not think you can assume that if you are going to take the experience of actual operations, you see.

Q. This is the point I put to you: your limitation then would be \$300?—A. That is right.

Q. And their profits are made on the loans which are above that. That is according to the evidence. Now, that additional cost must be distributed over those who are now borrowing the money below the \$300 bracket, and so far as this is concerned it does not make it easy to place that load upon them and distribute it in any way, therefore the loan will cost them more?—A. The loan will cost them more if you do not have an increased volume. If you have an increased volume you get a reduced cost.

Q. I put it to you this way. You have said that loans between \$300 and \$500 is the most profitable feature of their business; secondly that profitable feature will be eliminated; thirdly the logical inference, I say, is that there must be the additional cost upon the others. I am willing to leave that with you.—A. If you leave it with me that is all right. If you let me answer it I will tell you what I think about it.

Q. All right; I shall be glad to have your opinion.

Hon. Mr. DUNNING: He is always a poor witness.

The WITNESS: I do not know about being a poor witness; but I know if you are going to ask if I am going to accept a statement that is one thing; if I am going to be asked a question, that is another.

By Mr. Deachman:

Q. I am putting it this way because that is the simplest way to put it. You can answer it and feel free to do it?—A. What I say is this: if you take the experience of the parent company of this Central Finance or the parent company of the Discount and Loan Company, because they are both subsidiary companies of large companies operated in the United States, you will find that these companies operate in several states of the American union with a top limit of \$300;

that they have a higher rate than 2 per cent up to \$100; and 2 per cent from \$100 up to \$300—that is on the balances. Now, you will find that is so. If that is so then I say unless the cost of doing business in Canada is very higher on a rate of 3 per cent for the first \$100 balance, 2 per cent up \$300, they ought to be able to operate with that.

Q. Your suggestion was this, that the rate should be 3 per cent on balances up to \$100?—A. 3 per cent.

Q. And 2 per cent on \$100 to \$300?—A. That is right.

Q. And 1 per cent from \$300 to \$500?—A. I made that suggestion, I believe.

Q. Let us take that as the basis of the actual?—A. Would you let me conclude. I believe now that you should not have any loans above \$300 at all.

Q. If you take that as the basis, and assume there are no loans over \$300, the rate would be what?—A. 3 per cent on the balance up to \$100.

By the Chairman:

Q. Per month?—A. Per month.

By Mr. Jacobs:

Q. Do you suggest that should be done by this committee?—A. I am suggesting it should be done—

By Mr. Deachman:

Q. 2 per cent?—A. On the balance above \$100.

Q. Here is what I want to know. Take a loan of \$300; what does that work out to on the actual loan per month?

Mr. VIEN: The rate?

By Mr. Deachman:

Q. Suppose I borrow that and I am going to pay it back on the basis of a year—you have things like that in your table—and it is 3 per cent on the first \$100, 2 per cent on the \$200; can you give me the actual rate?—A. I would have to work it out for you.

Mr. FINLAYSON: I have the figures here, Mr. Deachman.

Mr. DEACHMAN: Will you give them to me?

Mr. FINLAYSON: Yes, I will give you these figures. I had computed them some time ago, as a matter of fact.

Mr. DEACHMAN: I should like to have them.

Mr. FINLAYSON: I have them computed on the \$300 loan. The balance up to \$100 bears 3 per cent per month; the balance from \$100 to \$300 bears 2 per cent. The 2 per cent element will be repaid first, and when the loan gets down to \$100, the \$100 balance will bear 3 per cent until repaid, and that \$100 will bear 3 per cent while the first element is being repaid. Now, I had computed loans on that basis, because that is a very common basis that has been suggested, loans of \$100, \$200, \$300, \$400 and \$500. Perhaps I may as well give the whole schedule because the balance above \$300 bears 1 per cent. The \$100 loan would be, of course, at 3 per cent; the \$200 would be at 2.73 per cent; the \$300 loan would be at 2.54 per cent; the \$400 loan would be at 2.35 per cent; the \$500 loan would be at 2.17 per cent. I have had these figures checked over by our actuary since the morning session.

By Mr. Vien:

Q. You agree with that, Mr. Forsyth?—A. I think it is probably so.

[Mr. Lionel A. Forsyth.]

By Mr. Deachman:

Q. Now, Mr. Forsyth, we were discussing this from the standpoint of seeking a lower rate of interest for the small borrower—at least I was. He is the fellow in whom I am interested. I am not so much concerned about you and some of these other fellows here who can borrow in \$10,000 lots at a time. I am looking at the Minister of Finance, and I should have said \$100,000,000.

Hon. Mr. DUNNING: In his official capacity.

By Mr. Deachman:

Q. So, Mr. Forsyth, the rates which you are proposing are very substantially higher than the rate which this company proposes.

Mr. DUFFUS: Hear, hear.

The WITNESS: That is right if you want to take it like that; that is right.

Mr. JACOBS: That is wrong.

The WITNESS: What I would like to say about it is, I too am interested in the small borrower, and I say it is better for the small borrower if he has to have a loan, to get one than to have somebody who is borrowing \$500 get one. The whole scheme of this small loan legislation elsewhere, and what I contend should have been in Canada, is that the personal finance companies are giving a service to the small borrower. Right now these companies—there are three or four of them operating—when they made the request said they were going to put the loan shark out of business. I had two young men come into my office the other day in Montreal. They were asked to endorse for a friend of theirs who was earning \$80 a month. That young man earning \$80 a month borrowed from eight different loan companies in Montreal and the personal loan company of one of the banks—

Hon. Mr. DUNNING: He had done well.

The WITNESS: He has done well. Every one of these companies that he has borrowed from is operating under no system of regulated rates except the bank, the bank of course, is on a regulated rate. Now, I say these people have not put the loan shark out of business, and one of the reasons they have not cut down on him is that the field above \$300 has been made too attractive, and they have no cover for the people below it.

By Mr. Deachman:

Q. They have all these companies working in the United States along the lines that you suggest?—A. Yes.

Q. Have they put the loan shark out of business?—A. They have where a uniform small loan law is in operation.

Q. Can you give me some proof of that?—A. Yes, I think I can. Here is a letter from Clarence H. Adams, Assistant to the Commissioner of banks of the state of Connecticut. He says:—

Your letter dated August 14, 1936, pertaining to the experience in this department concerning small loans was duly received. In reply thereto I would advise that in my opinion the operation of the Small Loan Law in this state and the supervision by this department, have worked out in a very satisfactory manner, and to our knowledge have completely eliminated the activities of the high money rate lenders. The uniform Small Loan Law was originally passed in this state in 1919, which permitted the making of small loans up to \$300 at the rate of interest of $3\frac{1}{2}$ per cent per month. The act was amended in 1933 by reducing the rate of interest from $3\frac{1}{2}$ per cent to 3. The 1935 session of the legislature reduced the interest rate from 3 to $2\frac{1}{2}$ per cent. It

was vetoed by Governor Cross. We are making a rather exhaustive study of the small loan business in this state so that we can make constructive recommendations to the next session of the general assembly."

By Mr. Vien:

Q. The law at this moment is 3 per cent?—A. 3 per cent, yes.

The WITNESS: Do you want some more, Mr. Deachman?

By Mr. Deachman:

Q. I haven't any doubt whatever that you could find some people who would say that that would be the effect. That is quite possible.—A. That is what does happen and has happened to these loan companies, as you are quite aware from reading these investigations.

Q. I do not know that we can accept that as a fact as to what has taken place because many of these private loan companies are more or less hidden and their operations would be conducted in such a way that they would not become known to an investigation?—A. I think that in some of the states of the United States they have a very complete knowledge as to what they would be. I think if you were to ask any one of the large loan companies who operate in the United States they would say that they have eliminated the loan shark.

Q. Let us leave it at that, it is only insofar as the rate is concerned that I am interested. Your contention is first that we should eliminate all loans over three hundred dollars?—A. That is what I say.

Q. And then that we should apply a schedule of rates such as this?—A. I have a copy of the statement here from which I took these rates from the State of Massachusetts. I have a copy of the report of Mr. Earl Davidson on these line companies in that state. I have his letter in my hand, and he says that that rate in his state has practically eliminated loan sharks.

Q. That is what I wanted to get at. And your claim is that that would raise the cost of these small loans?—A. You say I claim that; I say it may, or it may not.

Q. Well then, I will put it to you this way; that you remove the part which the companies claim is their most profitable business?—A. I agree with that.

Q. And then I think we can leave it to the judgment of the committee as to what will happen?—A. I am not going to allow you to do that unless I have to. I am not going to allow you to leave an answer of mine up in the air like that. I say that if these people can get into the field where they should operate they may get sufficient volume to enable them to do business at these rates, and possibly at lower rates, I don't know.

Q. At these rates?—A. At the amounts I suggested, if they get volume enough to be able to do business at them.

By Mr. Vien:

Q. These rates are higher than those suggested by the company?—A. They are higher, if you like to take it that way.

Q. Take it this way, your own, take the case of a man who borrows one hundred dollars, the actual interest rate would be 3 per cent?—A. That is quite right.

Q. Therefore, insofar as such a man is concerned, the rate would be 1 per cent higher?—A. That is quite right.

Q. If you take the full rate on a \$300 loan it would be 2.73?—A. That is right.

Q. Therefore, on \$300 the effective rate of interest would be 2.73, and as you suggest a limit of \$300, a ceiling of that amount, the rate would be higher in every case?—A. If you took a maximum rate and applied it, that is true.

[Mr. Lionel A. Forsyth.]

Q. Yes. We are talking in maximum rates all the time?—A. What I say, Mr. Vien, is this; it is entirely in this field of operation—talk about rates on loans at \$100; if the loans are not made, and I say they won't be made at 2 per cent, and the best proof of that is you take any one of the three companies operating in Canada today and you will find that they have a great deal of money out in the higher brackets above \$300.

The CHAIRMAN: Suppose we allow Mr. Deachman to conclude.

Mr. VIEN: To keep the record correct, Mr. Chairman, I would like to point out that Mr. Reid has given evidence here to show what the experience of his own company has been.

The WITNESS: I have Mr. Reid's figures here.

The CHAIRMAN: Order, please.

Mr. DEACHMAN: I gather from the figures in this statement that 14 per cent of the loans made by companies of this type are over \$300; is that right?

Mr. REID: They amount to 14·36 per cent by number.

The WITNESS: And what by amount?

Mr. REID: 32·57 per cent, naturally the percentage by amount would be larger.

The WITNESS: How much would it be in dollars, Mr. Reid?

The CHAIRMAN: Order, please.

Mr. REID: A large portion of our business is under \$300.

The WITNESS: In 1935 the Central Finance Company out of a total of \$4,227,000 loaned, loaned \$1,470,000 in the brackets above \$300.

Mr. DEACHMAN: But the total number of loans—

The WITNESS: It is not the number of loans, it is the dollars which earn the interest.

Mr. REID: I think the important thing is the number of people served.

Mr. DEACHMAN: Let us have the total number of loans.

The CHAIRMAN: They are both important.

Mr. DEACHMAN: They both have their value.

The WITNESS: It is the interest earned on the dollars.

The CHAIRMAN: Mr. Deachman is asking Mr. Reid a question.

Mr. REID: My approach to this thing is from the standpoint of the customer. My opinion is that the important thing is the number of people we serve and it is for that reason that I consider the percentage by number to be of paramount importance. I think it necessarily follows that the more people we serve the larger the percentage of dollar value is going to increase.

The WITNESS: There is no argument about that.

Mr. DEACHMAN: Certainly not.

By Mr. Deachman:

Q. Well then, Mr. Forsyth, I have just one question more: the proposal has been made to the committee that these loans, the small loans, should be made at 2 per cent—I want to get your point of view, this is not antagonistic, we are trying to bring out the facts?—A. Certainly.

Q. We have a proposal for a corporation that is going to loan money at 2 per cent; your suggestion is that to make this business a success in the small brackets that rate should be increased by 50 per cent, that is the rate you have given us here; is that correct?—A. What do you mean by making a success, do you mean making a success of the business financially?

Q. I mean, you are claiming that this should be very efficient, as I understand it, in serving the real need of the people?—A. Yes.

Q. That is, the matter is based upon the public need?—A. Yes.

Q. And your suggestion is that in order to meet the public need for low cost loans you raise the rate 50 per cent on loans of \$100.00?—A. No, no.

Q. I think so, you said 2 per cent on \$200 and 3 per cent on the first \$100?—A. Now, I have not said that. If you are going to start—if you are going to be fair in this, and I think you want to be fair, you will not want me to leave an answer of mine up in the air like that.

Q. Well then, I will go back to the other one. Mr. Finlayson gives the rate on \$100.00 at 3 per cent, and on \$200.00 it works out to 2.73, and on \$300.00 it works out to 3.54. The former proposal was that we should have a company which would loan at 2 per cent. I am going to leave that with the committee, with any explanations you may make. According to my figures that amounts to an increase of 50 per cent on small loans, and practically a 30 per cent increase on loans of the \$200.00 size, and 25 per cent of an increase on the \$300.00 loan; but I leave it to the judgment of the committee as to whether that will serve the purpose?—A. Well then, if you will allow me to make an explanation I would like to leave this to the judgment of the committee: I am not here advocating that this bill be amended to provide these rates of 3 per cent and 2 per cent that I spoke about. I have never admitted that it should be that at all; but what I say is this, that if you do what this bill proposes to do you are making the smaller brackets loans less attractive to these companies, and the higher bracket loans more attractive than they are under their present rates; but I say that the small loan business in Canada should not be put upon the basis of not being able to make money.

I want to leave this with the committee; that when this type of company was first incorporated it was not intended that they should be making their money in the \$300 to 500 loan brackets at all; and that is just where this bill is taking this company, where they are getting into the banking field, in that they are increasing the rates in the higher brackets and reducing them in the lower brackets. But the big point in this thing is the evidence which I have here which goes to indicate that in those States in which this type of loaning has been authorized it has put the loan sharks out of business; and I have evidence here of people who are running business along that line, right here under my hand. They have written loans for \$300 at rates such as these, and they have worked out a system of rates based upon the cost of doing business, and based upon the amount of business done; the two go together in this business, and I have discussed this with the officials of these companies, and my conclusion in respect to it is that what we ought to do is to have this matter thoroughly investigated by some tribunal or representative group; and I say in my memorandum that the reason that I am opposed to this bill is because I think it is working in the wrong direction.

By Hon. Mr. Lawson:

Q. Would you follow that up please? I can't comprehend the general statement that the present bill increases the rate in the lower brackets?—A. No, in the higher brackets.

Q. And decreases it in the lower brackets?—A. That is right.

Q. I am sorry, I do not follow you?—A. A statement was prepared for the Senate committee, and carefully read, which shows that under the legislation of 1934 which restricted the charges which could be made to 2½ per cent, that the way these companies have been operating that on a loan of \$181.20 that amounts to an effective rate of 2½ per cent. Now then, I say that this bill, if it cuts down that 2½ per cent is going to bring the lower bracket loans up to \$185.20. Now, the lender—

[Mr. Lionel A. Forsyth.]

Q. Let us forget him?—A. Who, the lender?

Q. It is the borrower we are concerned with?—A. The important point about it is that if the borrower business is not attractive enough he won't get his money; that is the thing. Take from \$181.20 to \$500 and you will find that that decreases from a rate of $2\frac{1}{2}$ per cent to a point where it gets here to I believe it is 1.84.

Q. That is, under the company's practice?—A. Yes. Now, in the bill that they brought in here to-day they will increase the rate so far as the borrower from \$350 to \$500 is concerned; it will be increased, which will make that business more attractive.

Q. Just follow that up for a moment. I am not interested in the company's practice, I am interested in what the law allows them to do?—A. I was not allowed to say this morning what I thought was the law on that to-day.

Q. But in what the bill that is before this committee and what it will allow them to do?—A. I would like to answer that. I was not allowed to this morning.

Q. May I give you the opportunity? and I will be very brief: Is it not a fact that in the bill, in the private legislation now being sought by the Central Finance Corporation, whatever the basis of it may be, in association with the general law of Canada, the maximum they can charge is up to $2\frac{1}{2}$ per cent in respect of any loan in any amount?—A. I do not think they can under the law of Canada as it stands to-day.

Mr. VIEN: Excuse me, I believe they have a limit of \$500.

The CHAIRMAN: Order, please.

Hon. Mr. LAWSON: Excuse me, up to an amount of \$500.

The WITNESS: No, I do not think they can.

Mr. JACOBS: That agrees with the Kellie case.

The WITNESS: I contend that under the charter of the Central Finance Company as it stands to-day on a loan for one year they can discount at a rate of 7 per cent per annum, which gives them 7 per cent—

Mr. JACOBS: Plus 2 per cent.

The WITNESS: Plus 2 per cent, which gives them 4 per cent, which is 11 per cent.

Mr. JACOBS: Yes.

The WITNESS: I contend that is on principal; and they are entitled to charge all proper costs under their present charter.

By Hon. Mr. Lawson:

Q. Let us disregard for the moment the element of whether or not they can charge on disbursements and the interpretations as to what disbursements means, we know there is a wide divergence of legal opinion on that?—A. All right.

Q. May I put it this way: We want to see if we can get an agreement on something; assuming that the correct interpretation of the present private act of the Central Finance Company is that they are entitled to charge on disbursements, whether the disbursements are made in the form of salaries or otherwise to their own company employees; then they have the right now under the law to charge a maximum of $2\frac{1}{2}$ per cent?—A. I do not think they will do so.

Q. All right then; in any event I will take it then up to the \$181 and some odd, class?—A. Yes.

Q. If the bill now before the committee is passed then they will only be able to charge up to a maximum of 2 per cent up to \$181 and some odd?—A. That is correct.

Q. Am I right in that?—A. I think that is right. What I say about that is that you look at the other end of the picture and you get a bracket from \$350 to \$500 on which end they charge less; they can't charge up to 2 per cent, don't

you see. And I say that if you give them a 2 per cent rate on the bracket from \$350 to \$500 you are making that end of the business more attractive from their point of view, and if you reduce the 2½ per cent up to \$181 to 2 per cent you are going to make that part of the business less attractive to them; and we all know that money will go where the best returns are to be found.

By Mr. Deachman:

Q. There is just one thing I want to point out there; I think you agreed with me a moment ago, although I don't think we have it clear yet, that in the borrowers of from \$300 to \$500 they naturally have a larger field of choice, and the larger field of choice will effectively limit the rate which they can charge under this suggestion that has been made here. On the other hand, this would remain to be considered: if you give them the opportunity to work within that field, the larger ambit of their operations will tend to lower their costs. I want you to get the point of the committee. It is my viewpoint and, I think I can speak freely, the general view of the committee, because we are all members—the object is to reduce the rate to those within the lower brackets. We are not interested so much in those above \$300 to \$500.—A. Well, all I can say is this, that if you do as I did and you make inquiries in places where this business has been done—if you do as I did, I think you will come to the conclusion that when you reduce the rates in the lower brackets below a certain point, then business ceases to be done in the lower brackets.

Q. Quite so. But there is a difference of opinion as to what constitutes that point. That is the arguable point between us, and we can never arrive at a conclusion.

Hon. Mr. DUNNING: Might I ask the witness a few questions, Mr. Chairman. I have not much time. I hope the committee will excuse my non-attendance. I have no doubt at all, from what I have read of the proceedings, that you have been doing very well.

By Hon. Mr. Dunning:

Q. Mr. Forsyth, there are, I believe, three federally incorporated companies? —A. There are more than that, but there are only three operating.

Q. There are only three operating?—A. That I know of.

Q. Can you tell us how many provincial companies there are?—A. I am now compiling that list, and it is rather difficult to get. But there are very many.

Q. There are very many?—A. Yes.

Q. Incorporated in the various provinces?—A. Yes.

Q. Can you tell us what are the rates charged by the provincial companies that do the business?—A. They vary in very great degree.

Q. Do their charters provide for that?—A. I do not think the charters restrict the rates. They go on and formulate their own schemes. They have various schemes—I will not say of evading, because that is a bad word, but of avoiding, at any rate, sections of the Interest Act. We had some of them described to the Senate committee.

Q. Is it correct to say that the general practice of the provincially incorporated companies is to charge higher rates than are permitted by federal law?—A. I think that is so.

Mr. LANDERYOU: Where is the proof?

Hon. Mr. DUNNING: I am asking the question. I am trying to find out.

Mr. LANDERYOU: Has he any proof?

The WITNESS: I have not any evidence right here that would satisfy you.

Hon. Mr. DUNNING: If I may answer that question, inasmuch as I have letters from certain provincial companies protesting against the bills now before

[Mr. Lionel A. Forsyth.]

parliament on the ground that they would enforce the cutting of rates and thereby endanger their business, that, I think, is proof that higher rates are being charged by the provincial companies. Apart from that, we have record in the department, of course, that some of them, at all events, were charging much higher rates than the federal legislation permits. However, I am getting aside from the point.

The WITNESS: That is one of the reasons why I say that I think this business should be investigated.

Hon. Mr. DUNNING: All right. We will leave the question of investigation. I have already conveyed both to the committee and to the house the intention of the government with regard to the matter, and there has been no change since I last spoke to the committee in that regard.

By Hon. Mr. Dunning:

Q. Mr. Forsyth, I take it that two of the three companies that do business are before this committee—either have been or are?—A. Yes.

Q. And you represent the third?—A. Yes.

Q. Which is not presently before the committee?—A. That is right.

Q. If this bill passes, what effect will it have on the business of the company you represent?—A. I do not think that it will have any effect on it. I never thought it would.

Q. What rates do you charge?—A. We charge the rates that are permitted by our charter, 7 per cent discount, 2 per cent discount—that is, 7 per cent per annum discount. Our charter is a little different from theirs, in that there is not any doubt about our right to discount 7 per cent of the amount. I saw to that.

Q. I want to get at the aggregates.—A. Our aggregate charges run 7 per cent, 2 per cent, and then such portion of the chattel mortgage fee as will take the amount up to the $2\frac{1}{2}$ in the bracket below \$180.

Q. And how much above that?—A. The highest rate they can get—the lowest rate they get on these rates is 1.85 on \$500.

Q. Is that all-inclusive?—A. Yes.

Q. All-inclusive?—A. All-inclusive.

Q. Translating all charges into terms of interest?—A. Yes.

By Mr. Baker:

Q. That is \$500?—A. At \$500.

By Hon. Mr. Dunning:

Q. What about the loans of less than \$300?—A. On loans of less than \$300, it works out in this graph of Mr. Finlayson's pretty well; at \$300 it is a flat 2 per cent—2.07, and that goes up to $2\frac{1}{2}$ at \$181. As you decrease the size of the loan, you get 2.81.

Q. Is it a fact that the passing of this legislation would have the effect, so far as your company is concerned, of introducing a competitive element which is not present at the present time?—A. As a matter of fact, if these people wanted to charge 2 per cent now they could. There is nothing that compels them to.

Q. They would be prevented from charging more?—A. Yes, they would be prevented from charging more.

Q. And therefore you would know that competitively you had to face the rates set up in this bill?—A. As a matter of fact, if you are suggesting that has anything to do with my attitude—

Q. I am not suggesting anything at all. But you would know?—A. We would know that. I am saying to you that the amount of business we do on this thing is such that we are not from that point of view particularly interested.

Mr. FINLAYSON: Why?

The WITNESS: Because we do not believe this business is done on a proper basis in this country; and I have told this loan company and their parent company that the thing for them to do—they do a small loan business here and the thing for them to do is to wait until this business is looked into and put on a proper basis.

By Hon. Mr. Dunning:

Q. To come back to the point, your company knowing the maximum your competitors could charge, would have to adjust their business to the maximum that their competitors would charge. Is that not correct?—A. I do not think that is so, and I will tell you why.

Q. You think they could still get higher rates?—A. I know those provincial companies which you are talking about are getting higher rates than any of us now, and they are not under this federal law at all.

Q. That is right. I see.—A. That is the answer to it.

Q. So you would continue charging your present rates?—A. I presume we would.

Q. And your two competitors, which would be charging lower rates—A. In certain brackets lower and in certain brackets higher. There is no mystery about this thing. Those loans in the bracket from \$350 to \$500 have an increased rate. There is no doubt about that.

Mr. FINLAYSON: What is the comparison of the loans the Central Finance has made in the amounts above \$350?

The WITNESS: I know for 1935 that 35 per cent of the money they loaned was in the brackets from \$300 to \$500.

By Hon. Mr. Dunning:

Q. What is the number of individuals?—A. I cannot tell you that, because the statistics were not available to me.

Mr. VIEN: Could Mr. Reid tell us?

Hon. Mr. STEVENS: It is on the record.

Mr. REID: We only made 1,441 loans out of 37,000 in excess of \$400 last year.

The WITNESS: We are talking about \$350.

Hon. Mr. STEVENS: Here it is; (handing to Mr. Dunning) we put it all on the record.

Hon. Mr. DUNNING: If it is already before the committee, it is all right.

Hon. Mr. STEVENS: This is 1936, and you have it all there.

Mr. LAWSON: It is all on the record.

Mr. REID: 27,000 of our loans were less than \$300.

Hon. Mr. STEVENS: About 4,000 loans above \$300.

Mr. REID: 4,700 loans between \$300 and \$400.

By Hon. Mr. Dunning:

Q. The great bulk of them were below that figure. That is the point I am making. I have just one other question in mind. All of these companies are, I take it, subsidiaries of American corporations?—A. No, I do not think the Industrial Loan is. I think the Industrial Loan is owned by Canadian shareholders.

Q. What about your company?—A. My company is a subsidiary of the American company.

Q. The Industrial Loan is one we had here previously?—A. Yes.

Mr. LAWSON: That is the bill that is back before the house.

[Mr. Lionel A. Forsyth.]

By Hon. Mr. Dunning:

Q. In your opinion, Mr. Forsyth, would it not be a good thing, having regard to the public good aspect and the public service aspect, to further improve these bills limiting their operations to \$300 with the maximum rate at 2 per cent as is proposed?—A. I do not believe, Mr. Dunning, that unless—I think this, that if you have a maximum loan of \$300, I think you have got to get a higher rate than 2 per cent in the loans of \$100 and less.

Q. Do you mean by that that if by action of this committee or of parliament the maximum were reduced to \$300, thereby eliminating what you describe as the higher charge?—A. The higher brackets.

Q.—that in fact people could not get loans at the 2 per cent rate?—A. I think they could get loans perhaps at the 2 per cent rate if the loans were all above \$200. But I think that the experience of the Russell Sage Foundation, or at least their recommendations are that the loans—balances of \$100 and less should carry a higher rate than 2 per cent.

Q. I am thinking in terms—in order that I may make this clear—of this *inter regnum* of a year which must happen. There are several courses which parliament could take. It could, for instance, express the opinion that no licence should be issued and stop the business. I presume the committee has considered that. From the standpoint of the public good, it would leave all those requiring such assistance the opportunity of getting it at higher rates from provincially incorporated companies, which are legion?—A. It would have that effect.

Q. It would have that effect?—A. Yes.

Q. The second course, obviously, is to improve the situation as much as we can now?—A. Yes.

Q. And I am thinking in terms of that improvement, from the point of view of the borrower.—A. Now then, I say from the point of view of the borrower, if you put a flat rate on these loans and leave the maximum up to \$500, I do not think you are improving it. I think, in fact, you are doing him harm rather than good.

Q. In spite of the fact that 75 per cent of the borrowers are below \$300?—A. You will find, Mr. Dunning, that as these rates are increased in these higher brackets, the money will go to the higher brackets. I talked yesterday on the telephone to Mr. Davidson in the State of Massachusetts. I called him up. He is the supervisor of small loans there. I asked him his view about the maximum above \$300. The proposal had been made there this year that they should increase it. The companies wanted to get the maximum increased from \$300 to \$500, some of them, and he was against it. I asked him what his reasons were, and he told me that the reason was that he had no difficulty in convincing the people he was discussing it with that the money would flow out from the \$300 and lower brackets into that top one, and that money would even be attracted from other states.

By Mr. Lawson:

Q. How could money flow out? It is the demand that controls where the money will go. If the demand is by small borrowers, the loans will have to be made to the small borrowers.—A. You know, this business is a business in which there is a good deal of advertising done.

Mr. BAKER: There should not be.

The WITNESS: Perhaps there should not be. I am not prepared to say that it is not right. But money seems to go where it gets the best return.

By Hon. Mr. Dunning:

Q. Would you come back to my former point, and this is the last question I ask. If the statement which you just quoted as having been made by Mr.

Davidson means anything, it means that we would be serving the public interest by establishing this 2 per cent maximum rate for the coming year and reducing the maximum that should be loaned from \$500 to \$300.—A. Well, that may be so.

Q. My only interest in asking the question is as to whether these companies would make the loans if that were done. My reason for asking it is plain.—A. Yes.

Q. We have already laid the ground that if these companies do not advance the money, then the class of people who need that accommodation are automatically thrown into the hands of the provincial companies, and we all know—which can be proven—that they charge higher rates.—A. It is not only the provincial companies.

Q. The loan sharks as well.

Mr. LANDERYOU: We have no evidence of that.

The CHAIRMAN: Let the minister finish.

By Hon. Mr. Dunning:

Q. I just want an answer as to whether, in your opinion, these three dominion companies would continue lending money, provided that the maximum they could loan were reduced to \$300 and a 2 per cent rate covering all charges were made effective on that loan?—A. If they would continue to loan money?

Q. Yes, this year. I am not talking about the future, just this year?—A. I think probably they would. But that is just a guess on my part.

Hon. Mr. DUNNING: Might I ask Mr. Reid that question?

Mr. REID: Yes, sir. We would give it an honest experiment, until we had an opportunity of appearing before your select committee and having a complete study made. We have no intention of turning tail and pulling out of the country now.

The WITNESS: That is what I thought Mr. Reid would say.

Mr. LAWSON: I think it should be pointed out to the minister, in case he was not here when the evidence was given, that the witness says that if you are going to reduce the maximum to \$300, then you should not limit the rate to 2 per cent on amounts below \$180 odd, but that you should allow 3 per cent.

The WITNESS: What I said was not that they should allow 3 per cent at all. What I said was that the experience of the places where the uniform small loan law in the United States is in operation, that is the rate that they allow. I am not prepared to say that that is the rate that should be allowed in Canada at all. I think that is a matter for your investigating body to determine.

Mr. LANDERYOU: I would like to ask Mr. Forsyth if he considers these small loan companies are operating in competition with the personal loan department of the Bank of Commerce?

The WITNESS: No, I do not think they are operating in competition, exactly. I would say this, that generally speaking the type of person who approaches the personal loan department of the bank is not the same type of person who approaches them. But I say this, that if you are going to continue the high bracket loans up to \$500 and make them more attractive, there will be a certain amount of competition there.

By Mr. Landeryou:

Q. You stated this morning that loans over \$300—from \$300 to \$500—were practically in competition with the banks?—A. I beg your pardon.

[Mr. Lionel A. Forsyth.]

Q. You said this morning—A. Oh, yes, I think they are in the banking business; and I still agree with that.

Q. If these companies were not allowed to operate, don't you think the borrowers would go to the bank?—A. The ones from \$300 to \$500?

Q. Yes.—A. Yes, I think they would.

Q. Is it not possible to go for loans from \$50 to \$300?—A. I do not know your experience, but I was brought up in a small town in Nova Scotia, and I got friends to endorse notes for \$1,500 for me and the banks always took them.

By Mr. Jacobs:

Q. Why did you leave the small town?—A. Because they would not loan in larger amounts.

By Mr. Landeryou:

Q. You have not the rates that are charged by these companies operating under the provincial charter, have you?—A. I have not got them here.

Hon. Mr. DUNNING: Mr. Finlayson can give evidence on that point.

Mr. LANDERYOU: I would like to hear the rates.

Mr. FINLAYSON: We have had a number of cases referred to the department in correspondence. In a great many cases they are in excess of 100 per cent per annum. In my file I have a broadcast of the Better Business Bureau of Toronto in which two instances are given, one of about 160 per cent per annum and the other of about 258 per cent per annum.

Mr. LANDERYOU: Those companies are chartered by the provinces?

Mr. FINLAYSON: Most of them are chartered by the provinces, some of them are not chartered at all. Remember, they are individual lenders. Perhaps, they are the worst.

The WITNESS: I do not think you can say that the province has examined rates. I do not think they have ever approved any of those rates.

Mr. FINLAYSON: The provinces do not fix rates at all. They incorporate the companies and then let them do as they like.

By Hon. Mr. Dunning:

Q. Have you difficulty in getting actual proof of any system?—A. I am collecting a lot of information on that.

By Mr. Landeryou:

Q. The company you are associated with are allowed by special act of parliament to charge 7 per cent discount?—A. Yes.

Q. And you stated this morning that in your opinion 7 per cent discount in reference to the Central Finance Corporation was not legal?—A. The charters are different.

Q. That is because the charters are different?—A. Yes.

Q. It appears to me that these bills are brought before us without a full understanding of the legality of the 7 per cent discount. The courts—the crown does not give us any opinion as to whether 7 per cent discount is legal. So I move the adjournment of the discussion of this bill until we have secured the opinion of the law officers of the crown as to whether or not the Central Finance Corporation has been entitled by law to charge the rates they have been charging up to the present. We should have some understanding as to whether they have been operating legally or illegally in charging these rates of interest. I feel we should have some information from, at least, the legal advisers of this committee.

Mr. JACOBS: There is a motion before the committee.

The CHAIRMAN: Mr. Finlayson has a statement to make before I put the motion, with your consent.

Mr. FINLAYSON: I have an opinion from the Department of Justice to which I referred earlier in the sessions of the committee. I had referred to them the question particularly as to the right of the Central Finance Corporation to make this chattel mortgage charge for reasons I explained to the committee.

Mr. LANDERYON: That has nothing to do with it. I mean 7 per cent discount rate which they charge.

Mr. FINLAYSON: That is not involved in this reference.

Mr. VIEN: Mr. Chairman, there is no question whatever, I think, in anybody's mind that the company has the right to charge on a discount basis 7 per cent per annum at present. There is no question as to that is there?

Hon. Mr. STEVENS: Yes. I question it.

Mr. TUCKER: I tell you now that so far as I am concerned my reading of the law shows that the charge allowable is 7 per cent interest per annum, and if I understand the English language that is what it says and not 14 per cent. I do submit this, Mr. Chairman, that when these bills were brought before parliament it was just an endeavour to get around the Kellie decision, which was the only decision which the courts had given on this question of the Industrial Finance Corporation. In spite of that decision they are still charging an effective rate of 14 per cent interest per annum although their act of incorporation said that they should charge 7 per cent per annum. The Kellie decision said they had no right to increase that to 14 per cent. In spite of that decision, we are told that they had a right to charge this higher rate of interest, and we were told that the effect of this legislation would be to reduce the rate.

Now, at the time parliament met the only court decision was to this effect, that the Industrial Loan & Finance could charge 7 per cent interest only, 2 per cent in advance in regard to service charges which meant 4 per cent per annum or, in other words, 11 per cent. Now, Mr. Chairman, most of their business is done on endorsed loans which meant that according to the only decision which the courts have given the limit—

Hon. Mr. LAWSON: They are not done on endorsed loans.

Mr. TUCKER: My information is that most of the business of the Industrial Loan & Finance is done on endorsed loans. So we have this situation—

Mr. VIEN: The statement is incorrect in fact. They said that in the province of Quebec. That was true but in the province of Ontario they were loaning on chattel mortgages.

Mr. TUCKER: I am speaking of the Industrial Loan & Finance which does business in the province of Quebec almost exclusively.

The CHAIRMAN: The motion refers to this bill, and we are now debating the motion.

Mr. TUCKER: I am dealing with the whole situation; that dealt with by the companies.

The CHAIRMAN: No, you are wrong.

Mr. VIEN: I rise to a point of order. I do not want to be unfair to either Mr. Finlayson or Mr. Tucker, but there is a motion by Mr. Landeryou before the committee calling for adjournment and that motion is not debatable. I agree with Mr. Finlayson's statement. Now, Mr. Landeryou moves that we should adjourn this debate. The question is on this motion, yes or no.

Hon. Mr. DUNNING: May I point out that the motion was qualified. It was qualified until—

[Mr. Lionel A. Forsyth.]

Mr. LANDERYOU: Until we have the opinion of the law offices of the crown as to whether or not the Central Finance Corporation has been entitled by law to charge the rates they have been charging up to the present.

Hon. Mr. DUNNING: It was on that qualification I desired to say a word. If the committee desires such an opinion from the Department of Justice it should indicate in writing upon what it desires an opinion and, perhaps, the Superintendent of Insurance would refer the question. The Department of Justice, of course, considers such questions quietly. You cannot summons law offices of the department here and ask them to give an interpretation of the law. The question will have to be set out. I suggest that if it is decided to adjourn, probably the Superintendent of Insurance may be entrusted by the committee with the job of formulating the question and submitting it to the department, provided it is made clear what the committee wants.

Mr. LANDERYOU: This whole matter is going to be before the courts before long. I understand there is going to be an appeal.

Hon. Mr. LAWSON: Mr. Vien raised the question that the motion to adjourn is not debatable. First, I want to take exception to that. It is not a motion to adjourn; it is a motion to adjourn for a specific purpose and, therefore, I say it is debatable. If you, Mr. Chairman, rule that way I can say all I have to say in a few minutes on the question of the motion to adjourn for a specific purpose. You will accomplish nothing but delay by this adjournment for this reason—

Mr. LANDERYOU: I would not say that.

Hon. Mr. LAWSON: All right. Disagree with me if you like, but let me finish. First, there has been a decision by a court of inferior jurisdiction in the province of Quebec that 7 per cent interest should not be allowed as a discount in the case of another company. Secondly, there has been a decision by a superior court in the province of Quebec which is directly contrary to the decision of the inferior court in the province of Quebec, and that second decision is in appeal. Now, how on earth can the law offices of the crown come before this committee and give an opinion, in view of the fact that the question is now before an appellate court, when the superior court decision was yea and the inferior court decision was nay. I submit that we cannot get anywhere that way, and, therefore, I oppose the motion to adjourn.

Mr. TUCKER: I was speaking when the point of order was raised and I would like to finish.

The CHAIRMAN: Are you speaking to the resolution?

Mr. TUCKER: Yes. The Central Finance Corporation, if this decision—the Kellie decision—the only decision, as I say, that stands and is not under appeal—is correct—

Hon. Mr. LAWSON: It cannot be appealed.

Mr. TUCKER: I do not care whether it can or not.

Hon. Mr. LAWSON: That is an amazing answer from a lawyer.

Mr. TUCKER: If you think it is, all right. According to that decision, with which I happen to agree in a humble sort of way—I believe when this parliament said that 7 per cent interest per annum can be charged it meant what it said. All right, the Household Finance Corporation or the Central Finance Corporation could charge 7 per cent and 2 per cent service charge discounted, and the—

The CHAIRMAN: Are you speaking to the motion?

Mr. TUCKER: Yes. I am speaking to the motion. I will come to it. And then there is \$7 that they can charge in regard to that chattel mortgage charge running the total amount that they could possibly charge up to a rate of 18 per cent per annum if that view of the law is correct. Now, we are in this

position, putting the argument at its very lowest, as Mr. Lawson says, there is doubt about the matter. It is before the courts. Perhaps these people only have a right to charge 18 per cent. If that is the case and one court has held that, can we be told fairly that when we set a rate of 2 per cent per month raising the effective rate to 26.8 per cent per annum that we are necessarily reducing the rate?

Now, when parliament incorporated this company we have the right to argue that they intended to limit them to a rate of 18 per cent per annum at the highest. One of the courts has so held. The matter is before the courts now in another case under appeal. We were told a few moments ago—Mr. Reid said they heard the Industrial Finance were coming to this parliament. I presume because of this decision.

Hon. MEMBERS: No, no.

The CHAIRMAN: Order, I am afraid you are not discussing the motion.

Mr. TUCKER: I am discussing the motion.

Mr. MARTIN: You are not in order.

Mr. TUCKER: I know there has been nothing but points of order raised when I attempt to speak.

The CHAIRMAN: No, no.

Mr. TUCKER: I think that is a fair statement.

The CHAIRMAN: You have taken up more time than any other member of the committee.

Mr. TUCKER: I know. As far as you, Mr. Chairman, are concerned, I have no complaint to make.

The CHAIRMAN: Let us vote.

Mr. TUCKER: I was going to say this that if that view of the law is correct, and the most they can charge is 18 per cent, then the question that we should ask ourselves is this: when the matter is before the courts and we step in and give them the right, in spite of the possibility of that interpretation of the law being correct, to raise rates to 2 per cent per month, and especially in view of the fact that next session we intend to have general legislation, I submit that until we know what the true view of their powers is we do not know whether the effect of this legislation is to raise the rates or to lower them; and until we get that view as to the true powers they have under the law we should not step in and amend those powers, because, instead of helping the borrowers out we may be increasing the burden upon them. Therefore, I support Mr. Landeryou's motion.

The CHAIRMAN: Let us have the vote.

(A standing vote was taken)

The CHAIRMAN: I declare the motion lost.

Hon. Mr. STEVENS: I will ask to have the vote recorded.

The CHAIRMAN: Oh please now, Mr. Stevens, don't ask that.

Hon. Mr. STEVENS: I want a recorded vote.

The CHAIRMAN: Surely it is only taking up time.

Hon. Mr. STEVENS: It is not taking up time. I did not speak to the motion, but I have very strong views. I did not speak because when one does speak he is ridiculed by the lawyers of the committee.

Hon. Mr. LAWSON: I object to that statement. Mr. Stevens says that if they do speak they are ridiculed by the lawyers, and that is an all-inclusive statement.

Hon. Mr. STEVENS: It certainly is.

[Mr. Lionel A. Forsyth.]

Hon. Mr. LAWSON: I do not think I have made any utterance ridiculing anyone, with the possible exception of once.

Hon. Mr. STEVENS: Just a moment ago you said to Mr. Tucker, "Well, that is a queer argument for a lawyer to make."

Mr. MARTIN: From one lawyer to another.

Hon. Mr. LAWSON: You are talking about lawyers ridiculing laymen. If lawyers ridicule one another it is a case of dog eat dog and you laymen may just as well keep out of it.

The CHAIRMAN: We will take a recorded vote.

Mr. VIEN: Mr. Chairman, it would be in order to say those who are in favour of the adjournment will say "yes" and those who are against will say "no" so the answers will be recorded correctly.

The CHAIRMAN (After calling the names): I declare the motion lost. Are there any other questions you desire to ask the witness?

By Hon. Mr. Stevens:

Q. I should like to ask him one or two questions. Mr. Forsyth, in appearing before the committee at the invitation of the committee, you did so in regard to this matter in the light of the small loans business as it is now being carried on?—A. That is right.

Q. Your studies, I think you said, date back how many years?—A. About three. I have been studying for about three years, but more intensively the last year, just before the Senate met last year.

Q. The pamphlet, which is exhibit 2, was written by you when?—A. Just before the Senate committee met last year; the date was, I think, April, 1936.

Q. You have been carrying on your investigations since then?—A. Yes.

Q. And did I understand you to say that you had changed your opinion somewhat from what is expressed in the pamphlet?—A. I have, yes.

Q. And that you have concluded by your studies that a somewhat lower rate of interest than that disclosed in the pamphlet may be effective and satisfactory?—A. Yes.

Q. And all the deductions that you have made are based upon the fact of the operation of this business as it is now being operated?—A. Yes.

Q. In your evidence to-day and in the suggestions which you have made, did you have in mind at all the possibility of some other system being found for the satisfying of the needy borrower?—A. As a matter of fact, Mr. Stevens, I have conducted my investigation on the basis of using machinery that is being used elsewhere to-day. That is the thing I was thinking about.

Q. In your opinion the answers in the evidence you have given apply to the business as is?—A. Yes.

Q. Would you care to express an opinion borne out of your investigations as to the possibility of some other system that might give needy borrowers loans at a lower rate of interest?—A. Well, I cannot say that there is no other system—there are several instrumentalities, if that is the word—it is not the word I want to use.

Mr. JACOBS: Agencies.

The WITNESS: Agencies is the word I want to use, yes, that might under some scheme of general legislation be more or less correlated. For instance, the Credit Union, I think, fills a useful place in this business; but so far as I have been able to discover from my investigations of it I do not think that the Credit Union can fill the bill entirely.

Q. You think it might fill a portion of the field?—A. I do.

Q. Have you studied the rural credit acts of this or other countries for the purpose of extending facilities to the rural residents?—A. I know something about it, Mr. Stevens. I have not gone into them in detail in connection with this business, but I know something about them.

Q. Speaking broadly and generally because I do not wish to go into it in detail, such rural credit acts as are in existence are not based upon the same general principles as this small loans legislation?—A. No; the philosophy of these rural credit schemes as I understand them is that they do not depend upon the profit aspect for the extension of the service.

Q. Would you care to express an opinion upon this, that the industrial or wage-earning classes in urban sections are entitled to the same consideration as the smaller borrowers in the rural section. I am speaking from the public standpoint?—A. I do not think anybody can dispute that. I would not care to.

Q. It has not come within your purview?—A. No; I have not investigated from that point of view.

Q. Let us come to this statement, which is the 1936 statement of the Central Loan Company. If you will look at it you will notice that loans under \$100 amounted to \$770,556 in 1936?—A. That is right.

Q. The total loans made last year amount to what?—A. \$6,269,586.

Q. Which works out approximately, I think, to about 13 per cent?—A. Yes, slightly under 13 per cent.

Q. All loans under \$100?—A. That is right.

Q. Will you please look at the statement. You will notice that loans from \$300 to \$500 amount to \$2,041,806?—A. Yes, that is right.

Q. That, roughly speaking, is about 33 per cent?—A. About that, yes.

Mr. BAKER: May I ask the hon. gentleman a question? Would it not be better to ask about the number of loans made than to ask about the percentage?

Hon. Mr. STEVENS: That is true.

Mr. BAKER: Will you kindly ask the number of loans?

Hon. Mr. STEVENS: Would you mind my pursuing the matter in this way—

Mr. BAKER: It is a question of the number of men provided with loans.

By Hon. Mr. Stevens:

Q. Quite so. The higher bracket represents about 33 or 34 per cent of the amount of money loaned?—A. Approximately that, yes.

Q. I gathered from the discussion a little while ago that it is your contention that the higher earnings that accrue to the company on the higher brackets have a tendency to attract capital to the companies who handle that class of business?—A. That is what I say, sir.

Q. Would you agree with this suggestion, that loans of these amounts and the class of borrower who seeks that kind of loan is a borrower who might be conceived to have access to the ordinary banking facilities of the country?—A. That is my view, yes.

Q. What would you think of the possible reaction to the suggestion that the chartered banks should be invited to set up departments and facilities particularly to take care of that class of loan, assuming, of course, that the bracket was put at \$300 for the small loan companies?—A. I think that is a reasonable suggestion to make because I think when you get above \$300 you are in the banking field, and in other places that is where that business is done.

Q. I think I gathered from you a moment ago that capital naturally drifts to the section where there is the largest profit?—A. That has been my experience. Sometimes, of course, capital makes mistakes like other people.

Q. That is the natural trend?—A. Yes.

Q. I think that is so.—A. I think that is a fair statement.

Q. Is it your contention that if the ceiling or the maximum were fixed at \$300, legislation of that character would have a tendency to bring pressure upon capital to extend activities in the lower brackets?—A. In this particular field, yes.

[Mr. Lionel A. Forsyth.]

Q. In this particular field of operation?—A. Yes. But I would also like to qualify that by saying this in fairness to the people who are operating small loan businesses. If you are going to put the bracket at \$300 then you must have some substantial amendment to the legislation that exists in Canada to-day to provide them with some protection in the field. That is to say the operation of the provincial companies should be regulated, and all persons in the field under \$300 should be subject to very strict regulation and supervision so that there will not be evasions. That is the way it is done in the places where these small loan laws operate.

Q. Now, I ask this with a great deal of temerity. You are a lawyer of some considerable note?—A. I am told I am not, to-day, Mr. Stevens.

Q. I think you are, and I may say I may be told that I am talking foolishly, but I will risk it. Is it your opinion that the companies operating under provincial charters and the class known as loan sharks can be brought under control of the Interest Act and the Small Loans Act?—A. Well, of course, we have now no Small Loans Act, but you have the Loan Companies Act which, at least, in effect only sanctions—

Q. Pardon me; I should have said "Money Lenders Act".—A. As a matter of fact the activities of loan sharks, so-called, and all companies that are charging a rate of interest either by one means or another, greater than those permitted by these two statutes, I think they are under control now, althought the control is not control; nobody takes any interest in it.

Q. I want to make the other point clear; you would agree with me that they were under the jurisdiction of these two Acts previously?—A. Yes.

Q. So that I wasn't as foolish as I thought I might be?—A. I think supposedly they are.

Q. If the Money Lenders Act and the Interest Act were brought into effective application—and may I say Mr. Chairman that I am not intending any reflection upon the present system but I have in mind the possibility of some change—but I would like to make that point, that if these two general statutes were brought into effective application do you think it would do much to remedy the present abuses of these uncontrolled lenders?—A. There is no doubt that it would do a great deal to do that; but there is this about it, the experience in the enforcement of usury laws and that sort of thing has been—oh, well, one might say it is like the bootlegging of liquor in the days of prohibition; you know, you could get a certain amount of enforcement, but if people are going to drink or borrow they are just going to do it. You have got to do two things in my opinion; the first is to tighten up on your enforcement of these penal statutes, and at the same time you have got to provide for some agency to give the service. You have to do the two things I think in order to make it effective.

Q. That would have been my next question; assuming the effective application and enforcement of these two penal statutes to which we have referred, what in your opinion would be the result, would it not be to direct the needy borrower toward the established and recognized small loan company?—A. Yes. I think it would; and might I make the further remark that I also think such a move would have a very beneficial effect toward the reduction of rates because it would give increased volume.

Q. You are anticipating my next question?—A. I am sorry.

Q. My next question is this; that volume of business has something to do with the unit distribution cost of the company?—A. Oh, yes.

Q. Therefore, if we could increase the opportunities for lending for these organized companies it would lend itself to a lower cost of operation?—A. That is so.

Q. Then you would not disagree with me if I say that it would also make possible the charging of a lower rate of interest?—A. I think so, yes.

Hon. Mr. STEVENS: I think that is all I have, Mr. Chairman.

The CHAIRMAN: Do I understand that in the lower brackets there would be a lower rate of interest; than what?

The WITNESS: What I understood Mr. Stevens to say was—

The CHAIRMAN: You were putting the question, lower; I was wondering, lower than what?

Hon. Mr. STEVENS: I will make that a little clearer if I can.

The CHAIRMAN: Yes.

By Hon. Mr. Stevens:

Q. We have been speaking, Mr. Forsyth, of the possible elimination of the \$300—\$500 bracket?—A. Yes.

Q. And the better enforcement of the penalties against the loan shark?—A. Yes.

Q. And assuming these two things, the tendency would be to press the borrowers toward what might be termed the legitimate small loan companies?—A. Quite so.

Q. And as a result of that greater volume of business there would be the possibility of lowering charges.

The CHAIRMAN: Lower than what?

Hon. Mr. STEVENS: Of lowering the overhead charges.

The WITNESS: Of lowering costs.

By Hon. Mr. Stevens:

Q. Then we come to the point that I tried to make before; that would have the result of possibly establishing a lower rate of interest—to meet the chairman's point of view we will say—than the present rate of interest, or than the rate of interest proposed in this bill?—A. I would put it this way: I do not believe that we have in Canada yet, at least I have not been able to find it—I am still trying and I may find it—I have not been able to find in Canada yet any experience of a company or of an individual loaning money who has really determined the matter of what the rate ought to be. I said this morning to Mr. Cleaver that I took the Russell Sage Foundation rate in Massachusetts as being something on which to start. If you establish X as the rate on a borrowing of \$100.00; and X plus something else as the rate above that, and you say under present conditions that is the rate that these companies have to get to induce them to stay in business; then, if you get as you suggest better enforcement of the penalty statutes and direct the flow of business in volume to these companies, then I feel that that would reduce their costs, and the basic rate might possibly be reduced. But that brings up another point which I have had in mind but which has not made its appearance in any legislation in this country; that in the case of certain companies providing certain types of service they might have their rates regulated just as the amount of the capital invested in them is regulated; that is, there is a possibility that it might prove desirable to limit the amount of earning which companies of a certain type, let us say loan companies, might be permitted to make, and any amount earned over and above this limit might be applied towards a reduction of the rates.

Q. You would agree that that would be the tendency?—A. The tendency would be toward lowered rates.

Hon. Mr. STEVENS: There was another question in my mind, but for a moment it has escaped me. I think that is all I have.

[Mr. Lionel A. Forsyth.]

The CHAIRMAN: Are there any further questions for Mr. Forsyth? Can we dispense with his services?

Mr. MARTIN: Yes.

The CHAIRMAN: Then, Mr. Forsyth, we are thankful to you for your presence.

Witness retired.

Hon. Mr. STEVENS: May I ask you, Mr. Chairman, what the section before the chair now is?

The CHAIRMAN: The business before the chair as I understand it is section 3.

Mr. VIEN: The question before the chair now is section 3.

Hon. Mr. STEVENS: With all deference to Mr. Vien, I wanted to ask for a ruling from the chair and that is why I raised the point of order. We have before us an amendment which asks for the substitution of certain proposals for a certain section in the bill?

The CHAIRMAN: Yes.

Hon. Mr. STEVENS: And I would like a ruling of the chair before this section carries, because it is rather important.

The CHAIRMAN: Yes.

Mr. VIEN: Mr. Chairman, if Mr. Stevens will allow me; there are some of the members who want to go and I would like to move that when this committee adjourns we shall adjourn until 9 o'clock to-night.

Hon. Mr. STEVENS: I do not think there is a quorum here now.

Mr. VIEN: Yes, there is.

The CHAIRMAN: I will ask the members of the committee to stand.

The CLERK: There are 15 members present.

The CHAIRMAN: We still have a quorum. Mr. Vien moves that we adjourn until 9 o'clock.

Mr. VIEN: That when we rise we shall adjourn until 9 o'clock.

The CHAIRMAN: Shall we rise now?

Mr. MARTIN: I think we should let Mr. Stevens finish his statement.

Hon. Mr. STEVENS: That is quite all right. You can adjourn, I am not objecting at all.

Mr. VIEN: I am quite willing that the committee should continue to sit, I just wanted to have the matter of adjournment disposed of while we still had a quorum.

The CHAIRMAN: The committee will adjourn until 9 o'clock.

The committee adjourned at 5.40 o'clock p.m. to meet again at 9 o'clock p.m. this day.

EVENING SESSION

The Committee resumed at 9 P.M.

The CHAIRMAN: Gentlemen, we have a quorum.

Hon. Mr. STEVENS: Mr. Chairman, just as the motion to adjourn was proposed, I was asking a question of the chairman, and it was this: I understand that we have before us now a motion that bill 58 be amended by striking out all of sections 3, 4, 5 and 6 thereof and by substituting the following, which is this document which I hold in my hand (Amendment moved by Mr. Martin); and my question to you, Mr. Chairman, was this: if this motion carries, as I understand the rules, and I merely want to know now so we will make no mistake about it, I understand that this substitute bill will be before us for discussion?

The CHAIRMAN: Yes. Gentlemen, the question is on the amendment moved by Mr. Martin. Do you want the amendment read?

Mr. JACOBS: No.

The CHAIRMAN: Shall the amendment carry?

Hon. Mr. STEVENS: No.

(A standing vote was then taken).

The CHAIRMAN: I declare the motion carried. Now, with regard to the motion as amended.

Mr. VIEN: Section 3 as amended.

The CHAIRMAN: Yes, section 3 as amended. Shall it carry?

Hon. Mr. STEVENS: No.

Mr. COLDWELL: Mr. Chairman, I know what your ruling was regarding this particular section, and in listening to the discussion to-day and in reading the substitute section I feel that this is in reality a substitute bill; that the amendment is so wide that it is no longer the bill which was sent down to this committee by the House of Commons or which was sent to the House of Commons from the Senate.

The CHAIRMAN: Mr. Coldwell, surely we are not going to argue that question over again.

Mr. COLDWELL: I know; but I wish to place myself on record as to why I am opposing this particular clause at the present time.

The CHAIRMAN: Shall the section carry?

Hon. Mr. STEVENS: Oh, no. I would like to ask Mr. Reid a question or two before this amendment carries. I think the questions are quite applicable to the proposed amendment.

ARTHUR P. REID recalled.

By Hon. Mr. Stevens:

Q. Mr. Reid, could you tell me what per cent of your borrowers apply to the company for a second loan before the first loan is paid, and out of the proceeds of the second loan part of which is applied to the paying off of the first loan?—A. I am sorry, Mr. Stevens, I have no information on that.

Q. You have had a lot of experience. Will you tell from your recollection?—A. Statistics show it does not mean a great deal to us.

Q. My information is that a very large proportion of your loans are of that kind. Will you agree with that?—A. I would not care to estimate what the

[Mr. Arthur P. Reid.]

percentage is. There are certainly emergencies that frequently occur that were not foreseen at the time the original loan was made—emergencies, perhaps, of an entirely different nature from that which inspired the first borrowing. One might just as well say to a merchant, "How long do your customers stay with you? How long do they continue to buy goods from you?" It is pretty hard to say.

Q. I do not think the analogy is a very good one?—A. I am sorry. I have not any information, sir.

Q. My information is—I have another question or two to ask you—that a very substantial portion of your borrowers are in that class. Now, you do charge \$10 for inspection fee. That is correct, is it not?—A. Well, just a minute. That fee under section 3 varies according to the size of the loan. Yes, at one time we did. We do not now. The maximum charge we make under that section now is \$7.

Q. Quite so; but you did charge \$10?—A. In the loans of the larger brackets, quite so.

Q. When did you reduce it to \$7?—A. The 1st of December.

Q. Last December?—A. That is right.

Q. And up until last December the fee was \$10?—A. Graduated from \$10 down. The average is about \$6.14 during 1936.

Q. Now, in the loans of the category I mentioned—that is a man borrows, we will say, \$200 and you charge an inspection fee?—A. Not an inspection fee.

Q. What do you call it?—A. That fee, as I have explained several times now, includes the various expenses in connection with chattel mortgage loans.

Q. I do not want to prolong it?—A. I think I have developed that very completely as to what we do for that.

Q. As a matter of fact, an official of the company goes to the home and takes an inventory?—A. I described in detail what was done.

Q. Yes, I agree—takes an inventory of the chattels and things that you will require, and for which a chattel mortgage will be given?—A. Considerably more than that, sir.

Q. And that fee is charged. Now, then, the borrower comes along after six or seven months, any time, and he wants to make a further loan, and you in your practice will grant him a further loan. We will say that he has paid down about \$75?—A. On what amount, sir?

Q. We will say \$200. And he has paid down \$75, and he wants to make another loan we will say of \$100. Now, my information is that your practice in a case like that is to say, "Very well, we will loan you this \$100, but we will have to make the loan \$175 plus whatever the charges may be so as to give you the \$100, and you pay off what you owe the company."—A. That is right. Quite right.

Q. And in that case you can charge this service fee?—A. And we rebate it completely on all the other charges. As I explained the other day, it is a complete rebate of the service charge and the fee as well as his interest—the rate of $2\frac{1}{2}$ per cent per month on the actual cash in his possession for the actual number of days he has had the use of it, and we rebate to him everything over and above the original amount held back by way of discount and at actual earned interest so computed.

Q. Do you state definitely that that is done in all cases?—A. It is, yes, sir.

Q. My information is that it is not done?—A. It has not always been done. That has been the practice since last October.

Q. Oh, well—A. We are not compelled by law to do that. That is purely gratuitous.

Q. But up until last October you did not do that?—A. No. Quite so.

Q. And when that loan was renewed—A. We repaid it in accordance with the terms of the act as interpreted by the Justice department.

Q. Which?—A. In accordance with the terms of the act as interpreted by the Justice department, I am given to understand by the Superintendent of Insurance on a ruling given by him.

Q. We would have liked to have had the opinion of the Justice department this afternoon but, apparently, it was thought to be inadvisable and difficult. You are rather fortunate in getting the opinion of the Justice department.

Mr. McGEER: Mr. Finlayson will have that opinion of the Justice department if it was given.

Hon. Mr. STEVENS: We threshed that out this afternoon and had a vote on it.

Mr. McGEER: Surely the committee would like to see this ruling of the Justice department which the witness has mentioned. Mr. Finlayson must have it.

The WITNESS: It was on the subject of rebates, Mr. Finlayson, as given after the amendment to the Loan Companies Act in 1934. It was the subject of discussion at that time. I understand you checked it with the Justice department.

Mr. FINLAYSON: The opinion given by the Justice department at that time—

Hon. Mr. DUNNING: When was this?

Mr. FINLAYSON: 1934. After the amendment to the Loan Companies Act in 1934 the question was whether that 2½ per cent provision in that amendment affected at all the question of rebates as provided for in the special act of the companies. The Department of Justice said that that amendment of 1934 did not affect in any way the question of rebates on prepaid loans.

Mr. McGEER: It did not apply.

Mr. FINLAYSON: Yes. The rebate provision in the special act continued to apply notwithstanding the 1934 amendment. That is one reason why we wanted to get this provision fixed up.

Mr. McGEER: Was that opinion in writing?

Mr. FINLAYSON: Yes.

Mr. McGEER: Will you produce it, and will we have it before us?

Mr. FINLAYSON: I do not think it is in these papers, but I will produce it and file it with the committee. The very question that Mr. Stevens has raised is one of the most troublesome questions that arose out of these special acts. It is one reason why we have been trying to get rid of them for three years.

Hon. Mr. STEVENS: Those are all the questions I want to ask.

The CHAIRMAN: Are you ready for the question?

Some Hon. Members: Question.

Mr. McGEER: There is just one point I want to make. As I understand this section it is a substitution for the section with the limitation of 7 per cent. That is correct, is it? It is a substitution?

Mr. REID: Are you addressing me? I am sorry.

Mr. McGEER: It is a substitution?

Mr. VIEN: 7 per cent and 2 per cent and all other charges.

The CHAIRMAN: What is the question, please?

Mr. McGEER: The amendment now proposed is in substitution for the section that puts the limitation on the interest rate at 7 per cent?

Mr. WALKER: If I may answer that question, Mr. Chairman—Perhaps Mr. Finlayson will answer it?

Mr. FINLAYSON: No, you go ahead.

Mr. McGEER: I have asked the witness.

[Mr. Arthur P. Reid.]

Mr. WALKER: This is a question of draftsmanship.

The CHAIRMAN: There is no special witness being examined.

Mr. McGEER: I understood this witness was being examined.

Hon. Mr. LAWSON: May I suggest it is hardly fair to ask a layman to answer a question of law. I suggest the solicitor for the company might better answer a question of law.

Mr. WALKER: It seems to me a mere question of draftsmanship. What the section says is this:—

Whenever the company, under authority of this Act, makes a loan of five hundred dollars or less, sub-paragraphs (i), (ii) and (iii) of this paragraph (b), shall not apply.

And sub-paragraph (1) is the paragraph that I think Mr. McGeer is referring to.

Mr. McGEER: Which reads as follows.

Mr. WALKER: It is not exactly a substitution; it says in that particular set of circumstances sub-section (1) shall not apply.

Mr. McGEER: The section reads:—

Notwithstanding anything contained in the Interest Act, or in the Money Lenders Act, or in paragraph (c) of section sixty-three of the Loan Companies Act; (i) lend money secured by assignment of choses-in-action, chattel mortgages or such other evidence of indebtedness as the Company may require, and may charge interest thereon at the rate of not more than seven per centum per annum and may deduct such interest in advance and provide for repayment in weekly, monthly or other uniform repayments: Provided that the borrower shall have the right to repay—

and

(ii) charge, in addition to interest as aforesaid, for all expenses which have been necessarily and in good faith incurred by the Company in making a loan authorized by the next preceding sub-paragraph (i), including all expenses for inquiry and investigation into character and circumstances of the borrower, his co-maker or surety, for taxes, correspondence and professional advice, and for all necessary documents and papers, two per centum upon all the principal sum loaned;

Now, in addition to the 7 per cent you had a limit for services necessarily and in fact incurred up to 2 per cent.

Mr. WALKER: Not in that section, Mr. McGeer. That section does not limit it entirely because the next section starts off by saying: "Notwithstanding anything in the next two preceding sub-paragraphs."

Mr. McGEER: Yes, and in addition to the 7 per cent interest you have 2 per cent for services necessarily and in fact incurred, and then a further charge for registration.

Mr. WALKER: Not for registration. The further charge has been discussed almost ad nauseam but it is not for registration.

Mr. VIEN: Expenses incurred in regard to chattel mortgages.

Mr. McGEER: "—legal and other actual expenses disbursed by the Company in connection with such loan but not exceeding the sum of ten dollars."

Mr. VIEN: Exactly.

Mr. McGEER: That was for legal expenses.

Mr. VIEN: Legal and other.

Mr. McGEER: In any event there was interest, investigation charges up to 2 per cent and there were legal and other expenses up to \$10.

Mr. VIEN: Yes.

Mr. McGEER: So that there was a very definite limitation of the interest to 2 per cent. That is correct, is it not?

Mr. WALKER: The interest—

Mr. McGEER: 7 per cent.

Mr. WALKER: Interest is 7 per cent discount.

Mr. McGEER: There was a definite limitation in the act of the interest charge to 7 per cent.

Mr. WALKER: Discount.

Mr. REID: Discount is 7 per cent.

Mr. McGEER: Interest charge not exceeding 7 per cent.

Mr. WALKER: No.

Mr. VIEN: And to be deducted, which is the same.

Mr. MARTIN: Which is discount.

Mr. LANDERYOU: It is not the same.

Mr. VIEN: Can you tell me the difference?

Mr. McGEER: The language of the act seems to be reasonably clear; I may be wrong about that.

Hon. Mr. LAWSON: Unfortunately the courts did not agree in the Kellie case.

Mr. McGEER: I read the Kellie case.

Mr. VIEN: Did you read the other case?

Mr. McGEER: In any event, I am dealing with this matter now. The difficulty, Mr. Reid, is that you say this is a discount and not a limitation of interest to 7 per cent.

Mr. WALKER: I do not know what Mr. Reid says, but I have advised him as counsel that that section means that he can deduct 7 per cent interest on the amount loaned.

Mr. McGEER: Can he charge more than 7 per cent?

Mr. WALKER: The effective rate, taking 7 per cent interest on the amount loaned, when the amount is repayable in equal monthly instalments, is approximately 14 per cent per annum on the average amount of the loan. The interest is deducted on the amount originally loaned.

Mr. McGEER: So that the result of your interpretation of this section is that parliament instead of limited his powers appears to have passed a rate of interest of 7 per cent, but according to your interpretation of the statute, gave him the right to charge 14 per cent; is that correct?

Mr. WALKER: That is not only our interpretation; I think we have had it out in this room several times already. It is not ours alone. There has been an interpretation by the courts, not in exactly this case but in one by other companies, which supports the view I have advanced as the correct one.

Mr. McGEER: If parliament thought they were putting a limitation on the rate of this type of company to 7 per cent, it has now turned out to be the rate is anything up to 14 per cent, and that is the rate that has been charged in the past.

Mr. WALKER: I think it is quite clear that parliament intended just exactly what this interpretation is. If you had been here today and heard what parliament did in 1934, I think they made it—they took any doubt about it out in the charter of the Discount Loan Company. There is no question about that now.

Mr. McGEER: Your rate stands at 14 per cent, not 7. We agree on that.

Mr. VIEN: Do you doubt that when in 1934 parliament passed an act stating that the maximum for charges, interest, including service charges should be 2½ per cent per month? Therefore if the intention of parliament when passing that

[Mr. Arthur P. Reid.]

legislation had been to limit it to a straight 7 per cent per annum plus 2 per cent service charge plus the chattel mortgage charge, why should it be necessary for parliament in 1934 to state in a statute that the maximum service charge and interest all-included should be $2\frac{1}{2}$ per cent per month.

Mr. TUCKER: That applied to other companies besides these three.

Mr. VIEN: Yes, it did apply to all companies.

Mr. TUCKER: Yes.

Mr. VIEN: Including these.

Mr. FINLAYSON: All dominion companies.

Mr. VIEN: All dominion companies.

Mr. TUCKER: Yes.

Mr. VIEN: Which are three in number.

The CHAIRMAN: Gentlemen, please, let us try to have some order. Mr. McGeer, may I suggest that we do not traverse the ground that we went over this morning and this afternoon.

Mr. VIEN: And yesterday.

Hon. Mr. DUNNING: That is a reasonable suggestion.

The CHAIRMAN: I am quite willing to spend all the time that the committee needs, but I do not think it is necessary to go over and over the same ground. Do you care to have a statement from Mr. Finlayson? He will make the statement again. He does it very concisely. He gave it this afternoon and this morning as well.

Mr. McGEER: You know, Mr. Chairman, these are very intricate measures which affect a large section of the body politic who has little in the way of protection once we get through with this bill. I may be pardoned for being desirous of having as good an understanding as possible of this measure.

The CHAIRMAN: I have no objection at all to your statement, but you were not here this morning and you were not here this afternoon. You were not here this afternoon when we discussed the matter. I do not think it is necessary to go over and over it again to-night.

Mr. McGEER: No; I do not think so either.

The CHAIRMAN: It is all in the record.

Mr. McGEER: And I shall read the record. But there are some questions I should like to have answered if I may.

The CHAIRMAN: All right, but please do not go over the same ground that we have gone over this morning and this afternoon. We have a job to do.

Mr. McGEER: I should like to know whether or not the statement that has been made on so many occasions that there is no difference in the rate that is to be charged in the proposed amendment—

The CHAIRMAN: Mr. Finlayson, will you answer that, please?

Mr. FINLAYSON: There is a reduction in the case of this company from approximately $2\frac{1}{2}$ per cent to 2 per cent, or a reduction of approximately 20 per cent, which applied to the gross revenue of the company in 1936 should mean a saving of \$140,000 in 1937 for the borrowers.

Mr. McGEER: Now I have got that from you will you give me details of that on a \$500 loan which will show where that reduction comes in on a \$500 loan?

Mr. FINLAYSON: I have already explained that. The chart distributed this morning clearly shows that.

The CHAIRMAN: We had that this morning, Mr. McGeer. Do you want it over again? It is on the record.

Mr. McGEER: I understand from the committee you did not have it.

The CHAIRMAN: It is on the record; we will put it on again.

Mr. FINLAYSON: I would also refer you to the statement I made the last day Mr. McGeer was present when I gave the rates for different amounts of loans. The rate now is $2\frac{1}{2}$ per cent for all loans up to \$181.20; for \$200 the rate is 2.40 per cent; you will find that in No. 1 Proceedings.

Mr. McGEER: I have that in mind.

Mr. FINLAYSON: For \$250 the rate is 2.21 per cent; for \$300 the rate is 2.09 per cent; for \$350 the rate is 2.00 per cent; for \$400 the present rate is 1.93 per cent, slightly less than 2 per cent; for \$450 the rate is 1.88 per cent; and for \$500 the rate is 1.84 per cent. That means when you substitute a flat 2 per cent per month you slightly increase the rates on loans for \$350 and over, and you reduce the rate on all the rest.

Mr. McGEER: Now, that is the point that I wanted to get at because I had it very definitely in mind and we have now at least got to the point where the rate would be increased on loans from \$350 to \$500.

Mr. FINLAYSON: We had that three or four days ago.

Mr. McGEER: Now, Mr. Finlayson, I do not think there is any necessity for that kind of aside.

Mr. FINLAYSON: I beg your pardon?

Mr. McGEER: You did not have that.

The CHAIRMAN: Order, please.

Mr. MARTIN: We had it five times.

Mr. FINLAYSON: I am sure I gave these particular figures the last day you were present.

Mr. MARTIN: I can prove that.

Mr. FINLAYSON: In answer to your question.

Mr. McGEER: Yes. Now, in this amendment that is proposed there can be more. Does that increase in the rate of interest apply if they are not necessary and bona fide charges at all? We have the increase in the rate in one bracket of loans, that is \$350 to \$500. Now, I come to loans made to date. Where they are not bona fide and necessary charges can this company charge more than 14 per cent and collect it as a legal charge under this amendment. Will you answer that?

Mr. FINLAYSON: Under this amendment they can charge 2 per cent a month.

Mr. McGEER: Yes, and under this amendment where there are bona fide charges, necessary charges, the rate can be made 2 per cent a month?

Mr. FINLAYSON: But there are necessary and bona fide charges in connection with every loan.

Mr. McGEER: There might not be; certainly not on renewals.

Mr. VIEN: Mr. Reid explained yesterday in answer to the very same question that in the case of every renewal the same procedure was followed, that the position of the borrower might have changed and that the company had to do the very same work over again. Mr. Reid said that.

The CHAIRMAN: That is all on the record, Mr. McGeer.

Mr. McGEER: I want to know from Mr. Finlayson—

The CHAIRMAN: Order, please. Mr. McGeer, are you asking Mr. Finlayson a question?

Mr. McGEER: Yes. Where is the provision in this amendment that the company can only charge for necessary expenses made bona fide?

Mr. FINLAYSON: There is a limitation of 2 per cent.

Mr. McGEER: Outside of the 2 per cent?

[Mr. Arthur P. Reid.]

Mr. FINLAYSON: No. Experience amply shows that there are necessary expenses in connection with every loan, and we have the experience after four or five years of operation to show that 2 per cent is a reduction on the present rates.

Mr. McGEER: Well now Mr. Finlayson, of course you have looked at the balance sheet of this company and the facts that they have given us, and as a matter of fact the charge for supervision and other expense incurred is a larger amount than the interest charged; is it not?

Mr. FINLAYSON: I did not get that.

Mr. McGEER: The amount for service, and investigation, and supervision and fees is larger than the interest, according to the proceeds?

Mr. FINLAYSON: Oh, yes.

Mr. McGEER: What charge do you allow them to make for making out documents in respect to new loans; have you a list of the charges which they make?

Mr. FINLAYSON: I think you should ask that from the management of the company. I think they would be very much better able to give you that than I am.

Mr. McGEER: Have you ever investigated it?

Mr. FINLAYSON: Yes. Our inspectors go over this company's books and verify their annual statement. I think Mr. Reid would be very much better able to give you the details of that than I am.

Mr. WALKER: As counsel I would like to ask, has Mr. Reid any right before this committee or not? I would like to make this observation again, that Mr. Reid went into that in the most meticulous detail.

Mr. MARTIN: That is all on the record.

Mr. WALKER: I think we should have some rights here. We have been very patient and Mr. Reid has been very helpful, just as helpful as I apparently have been harmful; and I do think it is rather late in the day to ask him, when he took such pains to go into that in such great detail. At any rate, it is on the record.

The CHAIRMAN: I agree with you, that it is on the record.

Mr. McGEER: The detail of these charges?

The CHAIRMAN: Yes.

Mr. McGEER: On what type of loans?

The CHAIRMAN: On all types. That is right isn't it Mr. Finlayson?

Mr. FINLAYSON: Yes.

The CHAIRMAN: Mr. Finlayson will also give his word for that.

Mr. VIEN: We have worked during the last two or three days, Mr. McGeer.

Mr. McGEER: I have no doubt, Mr. Vien, that you have been about as busy on this thing as it is possible to have been.

Mr. VIEN: The inference—

The CHAIRMAN: No, no; there is no inference.

Mr. VIEN: Despite that I protest against the statement of Mr. McGeer. Mr. McGeer has been away from this committee for the last two or three days, and it has been at work.

The CHAIRMAN: Yes.

Mr. VIEN: I do not believe that it is fair that we should go over that. Members of the committee have spent four hours every day in this committee. Shall we continue to go over that ground again? I do not believe it is fair.

The CHAIRMAN: Mr. Vien, the chair agrees with you.

Mr. FINLAYSON: Could I say just a word? I want to be fair to Mr. McGeer. I am not sure that he has seen these stencilled abstracts of balance sheets of this company which were asked for the last day Mr. McGeer was here. They have been produced in his absence.

Mr. McGEER: I have examined them, and there are no details in them of the charges.

Mr. FINLAYSON: No, but there are details of the expenses incurred under fairly detailed headings.

Mr. McGEER: I understand that. There is no statement filed by the company of the actual charges that they have made on respective loans. I am informed by members of the committee here that no such statement has as yet been given to this committee.

Mr. FINLAYSON: Mr. Reid will give it. I am sure he has given it before.

Hon. Mr. STEVENS: I do not think that has been done. I am quite sure such a statement has not been given.

Mr. WALKER: If Mr. McGeer means the charge per loan broken down per loan, that has not been given and cannot be given.

The CHAIRMAN: It can't be given.

Hon. Mr. LAWSON: Do you mean that you want them to give that on 7,000 loans; are you asking for that detail with respect to 7,000 loans?

Mr. McGEER: I think the committee should have it if it wants to deal intelligently with this thing. I think this company should produce from their own books a statement of the loans which they have made, and give to this committee the details of the charges they have made; not an estimate made by Mr. Reid as to what is commonly done, or what might be done, or what can be done; but take a \$50.00, a \$100.00 loan, a \$150.00 loan, a \$200.00 loan, a \$300.00 loan, a \$350.00 loan, a \$400.00 loan and a \$500.00 loan. We ought to have an analysis of the loans on record in their own books; naturally they have that record, and this committee surely should be entitled to have a record of loans actually made so that this committee can know what it is doing and what is going on.

Mr. WALKER: My client has put all that in the evidence, Mr. Chairman.

Mr. McGEER: Would you mind giving me the reference and letting me see it.

Mr. MARTIN: The clerk has gone up to get the evidence. I think you should read it.

Mr. WALKER: And a record of the charges broken down by loans showing the charges that have been made with respect to each loan in each of the different brackets has been given.

Mr. McGEER: As a generalization, but what I have asked for is something different. I want the actual loans taken out of the books of the company showing the actual charges made by the company to an actual borrower.

Hon. Mr. STEVENS: Hear, hear.

Mr. McGEER: And that has never been given in evidence to this committee, and I would like that.

Mr. WALKER: The evidence was on that Mr. McGeer, and it was sworn to by Mr. Reid, and if you had heard his evidence I think you would have perhaps come to the same conclusion that the others of the committee came to.

Hon. Mr. STEVENS: Mr. McGeer is doing just what I tried to do a little while ago, and Mr. Reid could not remember, he could not make an estimate, he could not do this and he could not do that; of course, he gave his evidence as well as he could. But Mr. McGeer has put his finger on the spot; we have not had a single title of evidence showing actually how this company applies this charter in the conduct of its business.

Mr. McGEER: For instance, I have a very different opinion as to the interpretation of this law than has the inspector, and apparently others. I do not think that this law was ever intended to allow a greater charge than 7 per cent.

[Mr. Arthur P. Reid.]

Hon. Mr. STEVENS: Hear, hear.

Mr. McGEER: I do not think parliament ever intended that.

Hon. Mr. STEVENS: Hear, hear.

Mr. McGEER: I think it was never the intention that this company should stretch that right to charge 7 per cent to 14 per cent. The bill never intended to give the privilege to this company, the right to charge for other than actual disbursements on account of bonafide expenses, expenditures that were actually made. For instance, this idea of setting up a right to charge a fee that an individual lawyer may charge for an individual bill when he is drawing a chattel mortgage of this kind. In most of these cases it should not be a charge of more than 25 cents by way of fee at the outside. They charge \$10.00 for this.

Mr. MARTIN: That is not the evidence.

Mr. McGEER: They did charge \$10.00 once and reduced it later on to \$7.00. But this work of preparing these chattel mortgages is the mere work of a clerk and a stenographer. It never was intended that it should go to a legal firm and that they should pay out the legitimate legal fee.

The CHAIRMAN: What is a legitimate legal fee?

Mr. McGEER: In most provinces, I know in my own, we have a fixed scale of charges that are detailed and set out.

The CHAIRMAN: What is that for a chattel mortgage?

Mr. MARTIN: It is \$8.00 I think in Vancouver.

Mr. McGEER: It is \$8.00 in Vancouver.

Mr. MARTIN: Well, this is less.

Mr. McGEER: Nobody challenges this, that no mortgage company in Vancouver of this type or any other type pays anything like that; what they do is employ a lawyer at a rate of \$100.00 or \$125.00 a month and he does that.

Mr. MARTIN: It is routine, in any case.

Mr. McGEER: It is pure routine.

Mr. MARTIN: In any case; in the case of a lawyer as well.

Mr. McGEER: What happens in the case of a lawyer is this, that he gets one case of a mortgage probably in a week or two weeks, and he is a personal guarantor for both the lender and the borrower. The man who pays a lawyer for drawing a document properly gets some measure of security. That is something that should be investigated.

Hon. Mr. DUNNING: Now we are getting somewhere. This is something that needs investigating.

Some Hon. MEMBERS: Hear, hear.

Hon. Mr. DUNNING: The matter of lawyers' fees.

Mr. McGEER: The amount of fees are fixed by the Legal Professions Act and the are taxable before the courts, and anybody that exceeds them can be brought within that; but it is a very different thing, Mr. Dunning, to talk about a lawyer's fee where there is a guarantee—

Hon. Mr. DUNNING: What guarantee?

Mr. McGEER: Of a responsible lawyer—

Hon. Mr. DUNNING: What for?

Mr. McGEER: That the document is properly drawn and that the security provided is properly covered. I mean, men do not go to lawyers simply because they want to pay money.

Mr. VIEN: Would you suggest, Mr. McGeer, that if the court did set aside a document because it was illegally drawn, the lawyer would be responsible in damages?

Mr. McGEER: I am satisfied there is no action—

Mr. VIEN: Therefore there is no guarantee.

Hon. Mr. LAWSON: We cannot accept that proposition.

Mr. VIEN: There is no guarantee.

Hon. Mr. DUNNING: When we get away from these lawyers fighting, we might get somewhere.

Hon. Mr. LAWSON: The liability upon the lawyer is to exercise that special skill—

The CHAIRMAN: Order.

Mr. BAKER: It cost me a lot of money.

Mr. McGEER: Did you sue for damages?

Mr. BAKER: No.

The CHAIRMAN: Gentlemen, let us proceed.

Mr. McGEER: The matter I am suggesting to you is that parliament never intended to confirm to these loan companies the charges that are made by special legislation to lawyers unless the loan company actually made the disbursements.

Hon. Mr. DUNNING: That is the very thing that the department is trying to overcome by this type of amendment.

Mr. JACOBS: Yes, a flat charge.

Hon. M. DUNNING: It is just that very thing.

Mr. McGEER: Why not limit the rate of interest to 7 per cent as it was before and fix the amount that can be charged for bona fide expenses necessarily incurred? Why lump it and try to put through this thing by which, without any charge for services, bona fide or otherwise, this company can raise the rate of interest from 14 per cent to 24 per cent—

Hon. Mr. LAWSON: No.

Mr. McGEER: Yes, it can. My friend Lawson says this is not so. All right. Suppose there are no charges for services or fees.

Hon. M. LAWSON: What is the use of supposing, when the act provides for the charges? They have been getting the charges and in the net result your interest discount plus your charges have amounted to an average of 27 per cent.

Mr. McGEER: And if a man went into court and proved that there had been no services, no fees paid out, no expenses incurred, this company could still charge the 24 per cent.

Hon. Mr. LAWSON: Under the new act?

Mr. McGEER: That is what you are doing.

Hon. Mr. LAWSON: Under the new act?

Mr. McGEER: And notwithstanding that, we are asked to accept, as a committee, that there is no possible increase in the rate of interest. This is a deliberate increase in the rate of interest from 7 per cent to the legalization of a non-chargeable rate of 14 per cent and a boost again without limitation to 24 per cent. That is what this bill is doing. This is not usury. This is usury gone mad.

Mr. MARTIN: Oh, oh.

Mr. McGEER: This is not a restriction of their power over people in need to be freed from the exploitation of those desirous of multiplying money by money. This is a deliberate promotion, if it passes parliament, by parliament of those who under the force of circumstances take advantage of others.

Mr. JACOBS: Your own witness, Mr. Forsyth, complained about this legislation that it was not high enough, that the interest was not high enough.

Mr. McGEER: I think, if you will remember, that Mr. Forsyth said that the Russell Sage Foundation had always limited these loans to \$300.

[Mr. Arthur P. Reid.]

The CHAIRMAN: Gentlemen, suppose we allow Mr. McGeer to finish his statement.

Mr. McGEER: And it had gone further than that, and had been inclined, by keeping this type of loaning company under \$300, to eliminate the other type of loaning company or loan shark that was not charging a reasonable rate of interest. I think Mr. Forsyth also pointed out that where you make the higher rate on the over \$300 to \$500 loan, you are putting a 24 per cent rate into the legitimate banking business.

Mr. JACOBS: They are in competition with the legitimate banks.

Mr. McGEER: Let me ask the Minister of Finance a question.

Mr. MARTIN: May I ask you a question?

Mr. McGEER: Yes, I will be delighted.

Mr. MARTIN: I am very glad to hear that. The evidence this afternoon of Mr. Forsyth indicated that, under the arrangement which you are now discussing, the rate would actually be higher than the rate proposed and the rate which will be in effect if this amendment carries.

The CHAIRMAN: Mr. Martin, I object to your rehashing what was said this afternoon.

Mr. MARTIN: I just wish to bring Mr. McGeer up-to-date.

The CHAIRMAN: I know. But Mr. McGeer wants to ask the minister a question.

Mr. McGEER: Yes. Suppose we passed this legislation for a five million dollar corporation. Upon what ground would we deny the Canadian merchant banks the right to charge the rate of 2 per cent a month on loans up to \$500?

Hon. Mr. DUNNING: Will you permit me to answer that?

Mr. McGEER: Yes.

Hon. Mr. DUNNING: I understand, of course, that there are legitimate means in a committee of this sort to keep on asking over and over again the same questions and get them into the record and so on. But I do suggest for the consideration of the committee before answering the question, that there is an element of fair dealing with those who come here and pay their fees for the right of a hearing. I think that if they are to be turned down, they should be turned down frankly and openly. I suggest that seriously. As is well-known, I have no love for this type of business. I am very desirous of reforming it—very desirous of reforming it—I think as seriously so as any member of this committee, as I think all will agree. As the responsible minister with respect to general legislation of this character, I have had to spend a great deal of time with the superintendent from time to time with regard to the problems surrounding it. I do not think there is a member of the committee but will admit that the examination which has been given to this bill has added to his knowledge of the problem surrounding it. I said at the outset of these proceedings what I repeat to-day, that the parliament of Canada can say, if it wishes,—and I only want the instruction from parliament, perhaps on the recommendation of this committee, that no licences should issue from the Department of Finance for federal companies to do this business, and that will be done. Questions such as Mr. McGeer asks now are not questions which are to the point at all. I submit to his judgment. He asks the question: How can the government, the parliament of Canada, deny to the chartered banks the right to do this class of business in the manner which these acts provide for? The answer to that is very simple. The parliament of Canada has always denied to the chartered banks of Canada the right to do this class of business in this way, and the chartered banks of Canada never have done this class of business in this way.

Mr. LANDERYOU: The personal loan department of the Bank of Commerce is in this.

Hon. Mr. DUNNING: All right. Go back to the personal loan department of the Bank of Commerce; and you had here this afternoon evidence, which no one attempted to controvert, that the personal loan department of the Bank of Commerce, which is still experimental, was not in competition with this class of business.

Mr. LANDERYOU: He admitted it was in exactly the same position.

Mr. QUELCH: I was speaking to the manager of the Bank of Commerce, and he told me quite distinctly they were in competition. I asked him how he regarded it and he said it was on a competitive basis.

Mr. McGEER: Have the Bank of Commerce been here?

An Hon. MEMBER: No.

Mr. McGEER: Why not?

Hon. Mr. DUNNING: You were away and did not call them. That is the only answer I can make. I am not responsible for the bank or anyone being called. I am trying to answer the straight question. Nowhere in the world is this business done on anything like the same basis as the normal loaning business by banks is done. Everyone here knows that. I do not need to tell Mr. McGeer that. He knows that as well as I do.

Mr. McGEER: I do not agree with that at all.

Hon. Mr. DUNNING: There is no country in the world in which small loans of this character, repayable in this way, are made by institutions akin to our banks on anything like the terms which are charged by the chartered banks in the ordinary commercial loaning business. That is surely quite clear and does not need to be discussed. Of course, you can discuss anything. You can keep on talking. But I do suggest, just in fairness as a committee of parliament, that those who come here have a right to get a decision yes or no.

Mr. McGEER: And they are going to get it, as far as I am concerned.

Hon. Mr. DUNNING: I hope that is so.

Mr. McGEER: But after very complete disclosure of their operations. I want to say to you, that although I have not been at this committee, this investigation has been by no means complete. I want to go further and say that this has been a very incomplete and cursory examination, based on the assumption that you have made a promise of some kind that a Royal Commission is going to be appointed to investigate this whole thing.

Hon. Mr. DUNNING: Well, I must contradict that categorically, because one of my first statements to this committee was directly contrary to the Royal Commission appointment. I am in the judgment of the committee.

Hon. Mr. LAWSON: That is right.

Hon. Mr. DUNNING: For Mr. McGeer's benefit, I will repeat it. The committee has had it on two occasions, but I will repeat it again. A lengthy petition had been presented to the government asking for a Royal Commission with regard to small loans; the government had given consideration to that request, which was very widely signed by many of the most prominent social workers and others interested in community welfare, dealing with this problem and speaking of it from the borrowers standpoint. The government reached the conclusion, having regard to the attitude of parliament towards the question that a Royal Commission was not the best way of approach, but that a special committee of this house—for obvious reasons not the Banking and Commerce Committee; for reasons which have been apparent through the examination which has been undertaken by this committee this session—a special select committee next session would be proposed by the government to investigate the whole matter of small loans, and to endeavour to lay down for parliament a course which ought to be followed in the public interest. That statement I made on behalf of the govern-

[Mr. Arthur P. Reid.]

ment, quite contrary to the Royal Commission. The government does not believe that Royal Commission is the best approach to the subject. That will be done, whatever is done with these bills. Speaking this afternoon, I indicated what I thought was the issue. There are three courses open. Parliament can direct me not to issue licences. It can do that. Why not discuss whether you should or should not? In my opinion, the result of that would be to throw this business into the hands of those companies which are provincially incorporated or not incorporated at all, and in which I have ample evidence to satisfy me the charges are higher.

Mr. McGEER: Why is the law not enforced?

Hon. Mr. DUNNING: Why, Mr. McGeer, the provincially incorporated company is under the Interest Act as far as its interest charges are concerned. But what about its other charges? You speak of interest as though that was the important matter to the borrower. What matters to the borrower is what he has to pay, you can call it what you like. And when I say that I have had protests from provincial companies against this legislation because it tends to interfere with their business by bringing about lower interest rates, you can understand my attitude in that regard. Now, I say the first choice obviously is let us not issue any licences; leave the business as it was for many years in the hands of those who were incorporated by the provinces or who were not incorporated at all—the loan shark—for a year. Secondly, you can refuse to adopt this amendment. That would have the effect of leaving the company precisely where it is. The superintendent of insurance has assured me that this proposal involves a lower charge for borrowers. There is that benefit. Perhaps it is desirable that even that benefit should not be given. The third alternative, of course, is to pass this with the assurance that parliament is going to definitely make an attempt to deal with the situation at the next session along the lines that I have suggested. I do suggest, in all seriousness, that there is enough before the committee in these three courses to enable the committee to choose one of the three. For myself I do not care what decision is made; only I do think that those who come here are entitled to a decision. I think that is only fair.

Mr. McGEER: I think the question I raised—and I raised it for the very important reason that, confronted as we are with the proposal to increase the capital of this company to five million dollars—

The CHAIRMAN: Mr. McGeer, that has passed the committee.

Mr. McGEER: I know. Now we move into the very doubtful field of giving the right to charge fees and service charges over which parliament has no jurisdiction, because that comes, under the recent decisions, if I have read them correctly, within the realm of property and civil rights. All that this parliament can authorize is the interest rate. They certainly cannot fix the terms of a contract which goes beyond the interest rate.

Hon. Mr. DUNNING: I am not a lawyer, but is it not correct that we can authorize what we like for dominion companies?

Mr. MARTIN: Certainly.

Mr. McGEER: No, you cannot.

Mr. JACOBS: On interest.

Mr. McGEER: That is exactly what you tried to do in the general programme of unemployment insurance, and that is exactly what the privy council and the Supreme Court of Canada told you you could not do.

Hon. Mr. DUNNING: I cannot enter into a legal argument.

Mr. MARTIN: This is company law.

Mr. McGEER: This is not company law. This is dealing with the contractual relationship of borrower and lender in a province, and it fixes the term upon which the contract of borrowing and lending may be enforced.

Hon. Mr. DUNNING: If that is correct, all the existing dominion legislation is *ultra vires*.

Hon. Mr. LAWSON: No. Mr. Minister, may I point out where that is not sound, with due respect to my learned friend?

Hon. Mr. DUNNING: He knows perfectly well he is not sound.

Hon. Mr. LAWSON: I have very high regard for my friend's opinion in certain matters, such as freight rates—

Mr. McGEER: Never mind that; let us get on.

Hon. Mr. LAWSON: It is true that property and civil rights are in the province. The province has not seen fit to legislate with respect to what contract may be made insofar as property and civil rights are concerned. Therefore, there would be no limitation upon this company unless we impose it; and by the bill we impose a limitation, not by a right of interfering with property and civil rights, but we could say to them, "If we are going to give you the right as a corporation, you are going to accept the right with such limitation as we see fit to impose." And we give them that on that limitation.

The CHAIRMAN: Are you ready for the question?

Some Hon. MEMBERS: Question.

Mr. McGEER: That is not very good law. What you are doing here is this, if you are doing anything: You are incorporating a general charge and putting it under the head of interest. It might on a loose interpretation prohibit the province from limiting the service charges. That is what you are doing. You are establishing a vested right in a company under the power to make the rate for services chargeable as interest; and what can be done under this bill, which is the most iniquitous thing that ever came before this parliament, is to wipe out the provincial control over property and civil rights, by giving the company the right to charge as interest 24 per cent and to call it its general charge-service, fees and the rest interest. The way this bill is drawn, if a 24 per cent charge of interest is made, there need be no proof that there is any service, that there are any fees or that there are any costs. It is one of the cleverest and most ingenious ways that has ever been employed to defeat parliament's limitation upon the rate of interest.

Mr. JACOBS: But parliament can do what it likes in the matter of interest—make a fixed rate.

Mr. McGEER: I agree. And this bill, taking advantage of that power, now proposes to boost the rate from 7 per cent and place beyond all question the charging of 14 per cent and to boost it again to 24 per cent. That is what is proposed here. Now, all that is done in the name of service to the unfortunate devil who has to borrow money on terms of this kind.

Hon. Mr. DUNNING: Mr. McGeer, if this is not an improvement on the present bill from the standpoint of the borrower, I am against it; but you are not demonstrating that.

Mr. McGEER: No. I might have difficulty in convincing you, but now you have interrupted me you are giving me at least a chance to try.

Hon. Mr. DUNNING: In the name of parliament I protest against the idea which is evidently permeating this committee that no decision is to be reached. I am not speaking of Mr. McGeer; I simply say that in the name of parliament the avoidance of a decision by methods which are available in a committee of this kind is decidedly bad business for parliament.

Hon. MEMBERS: Hear, hear.

Hon. Mr. STEVENS: I arise, Mr. Chairman—

[Mr. Arthur P. Reid.]

Hon. Mr. DUNNING: I cannot remain to continue the discussion personally. Parliament has a perfect right, as parliament, to refuse to decide a question; but I do say that it is carrying things rather far when a committee of parliament refuses to reach a decision in order that parliament itself may determine—the House of Commons itself may determine its course of action. It is well known that a question respecting these bills cannot reach the House of Commons save on a report from this committee. The House of Commons itself can determine whether or not it wants to make a decision; but I do submit in all seriousness that one of its committees by the agency of what appears from the votes to be a minority of the committee, should not deprive the House of Commons of its right to make a decision on a matter. That is my opinion. That is my opinion as a member of the committee.

Hon. Mr. STEVENS: Now, Mr. Chairman, I rise to a point of order on this statement of the Minister of Finance. It is now a quarter past ten. This committee did not get a quorum until twenty minutes past nine. We have been sitting fifty minutes, and those fifty minutes represent the first time that this bill, as it now is, has been before the committee.

Mr. MARTIN: Why?

Hon. Mr. STEVENS: Never mind. This is the first time it has been before the committee.

Hon. Mr. DUNNING: I am speaking of the general proceeding.

Hon. Mr. STEVENS: Now, the minister who is a gentleman whom I personally hold in the highest esteem, suggests there has been, and he said by the votes of the committee—he inferred tactics unbecoming to a parliamentary committee, as he says, to prevent something going through. Now, I claim that we have a perfect right to analyze and discuss these bills fully, and I object to the statements he has made. He has not been here. Today was the first time he appeared before this committee.

The CHAIRMAN: Oh, no.

Hon. MEMBERS: No, no.

Hon. Mr. STEVENS: Wait a minute—the first time he has appeared before this committee since this bill came before the committee.

Hon. Mr. DUNNING: I will answer you in a moment.

Hon. Mr. STEVENS: I am not blaming the minister. I know what he has been up against; but my point of order is that the statements of the minister reflect upon the members of this committee and the conduct of the committee, and is not a statement that should have been permitted to be made to the committee.

Hon. Mr. DUNNING: Mr. Chairman, on the point of order. Even a minister has a right to his opinion with respect—

Hon. Mr. STEVENS: He has no right to lecture the committee—no more right here than a private member.

Hon. Mr. DUNNING: He has no more, but he has as much. He is a member of this committee, and he has as much right as any other member of the committee. The opinion I expressed as to the principles upon which committee business should be conducted is my opinion, whether this committee or another committee.

Hon. Mr. STEVENS: And you have a perfect right to it.

Hon. Mr. DUNNING: I have a perfect right to it. Now, with respect to my own attendance, let me relate it—

Hon. Mr. STEVENS: I said frankly, of course, that the minister had excellent reasons for being away.

Hon. Mr. DUNNING: I am not dealing with excellent reasons for being away. I want to put on the record now precisely everything connected with this matter. The discussion with respect to these bills took place in the House of Commons and covered both of the bills then before the house. Only one got through, although the discussion ranged over the two. The bill originally presented by this company differed from the one presented by the other company. In the House I attempted to draw the distinction. Later on at one of the early meetings of this committee I indicated what I have said here previously to-night what was the attitude of the government on the matter. I was so authorized and was within my right, I think, in communicating the decision of the government to the committee with regard to the disposal of the question in the future. I have read in such leisure moments as I have had such record as is available, and I understand there is a lot more. It is upon what I have read and upon what I have learned that I base the statement that I fear—let me put it this way—I fear there is an intention on the part of some of the members of this committee that this committee should not reach a decision on this question. If that is the case, then I say that I am of opinion that this committee in so acting is depriving the House of Commons of what is its right. That is the right to decide whether or not the bill shall pass or to decide that it shall not be further considered. The house can do that. But this committee, by not reaching a decision, is depriving the House of Commons of its right. I want to leave that thought with the committee. You can please yourselves with regard to it. It is your own business, but I suggest it is a very bad precedent to set.

Mr. LANDERYOU: I would like to point out that these companies have said they are only in an experimental stage. They do not know all about this business. They operate only in an area where there are 50,000 people within a radius of twenty-five miles. The experts and those who have been up for questioning have not been able to give us all the evidence. They do not know for sure whether they are operating in opposition to some of these loan branches of the banks. And we want to gather all that information so that we can arrive at a proper understanding of the whole matter. I do not think there is any question of anybody trying to hold anything up.

The CHAIRMAN: Are you ready for the question?

Hon. Mr. STEVENS: No, Mr. Chairman.

Mr. TUCKER: Mr. Chairman, I have had quite a bit to do with trying to delve into the reasons for this legislation, and I have probably taken up as much time in the committee as anybody; but I want to refute, as strongly as I can, any suggestion that there was any intention on my part to prevent this bill being fully considered in this committee and the committee being able to make a report to the house as soon as possible. I have sat here time after time. On at least three occasions I have had to wait for a quorum, and on several occasions I have remained here when, by leaving, I could have broken the quorum. I want to assure the minister—

Hon. Mr. DUNNING: I was not making any personal reference. I had no individuals in mind.

Mr. TUCKER: I am anxious to see this bill get into parliament where it can be dealt with right in the eyes of the whole Canadian people.

Mr. HOWARD: I move that the question be now put.

Mr. McGEER: I do not think the question I asked has been answered. That question was that if we incorporate this company with a capital of \$5,000,000 and allow an interest rate of 24 per cent, upon what ground could we refuse the merchant banks with similar loans up to \$500 a similar rate of interest? Now, that answer the minister gave us to the effect that the banks are not in this business—

[Mr. Arthur P. Reid.]

Hon. Mr. DUNNING: No. I did not give that answer.

Mr. LANDERYOU: He said there was no evidence.

Mr. McGEER: As I understand the minister, this is a special type of loaning activity under a special rate of interest, that is not engaged in by the banks; but I venture to say that if the banks were offered this rate of interest there would probably be another story to tell. And when the proposal is made that we are going to have a parliamentary investigation, which must be the royalist of all royal commissions—

Hon. Mr. DUNNING: No, no.

Mr. McGEER: I am sorry that the Banking and Commerce committee has fallen so low in the estimation of the minister—

Hon. Mr. DUNNING: It has not. I am afraid lest it may.

Mr. McGEER: This most important of all committees in parliament, the Banking and Commerce committee, apparently is not competent, in the minister's estimation, to investigate small loan companies.

Hon. Mr. DUNNING: No, Mr. Chairman, I must rise to a point of order. My hon. friend knows perfectly well what a point of order is. He knows I have not said anything of the sort, nor implied it. If he wants the full force of my statement in the record—I did not amplify it—I said a special select committee—

Mr. McGEER: Because the conduct of this committee for obvious reasons—

Hon. Mr. DUNNING: No, no; not the conduct of this committee; but for obvious reasons this committee is unsuitable. I will tell my hon. friend the obvious reasons. This is a very large committee of parliament. It is one of the largest committees of parliament. You have seen, and the record of attendance will show, that there has not been a steady attendance of members. We have tonight the spectacle of Mr. McGeer coming back and asking questions the replies to which are already on the record. This is not the first time that has happened. I am not speaking in respect of Mr. McGeer any more than with respect to others. It is one of the known faults of a large committee investigating a specific subject for investigation, and I think Mr. McGeer will agree with me that for studying and developing evidence on such a complex matter a smaller body than this committee is desirable and necessary if a conclusion is to be reached. That is the obvious reason which I meant when I said that obviously the Banking and Commerce committee was not suitable for the purpose. I think the discussion as it has been carried on is ample evidence that you cannot investigate a complex matter by means of a public meeting; you have to have a smaller body.

Mr. McGEER: It is unfortunate that we have some very good records in this committee. It was this committee that settled and determined the provisions of the Bank of Canada bill. Surely a committee that was competent to investigate, report and recommend to the House of Commons on the Bank of Canada legislation ought still to be competent to advise the House of Commons on small loan companies. If that is the only obvious reasons why this committee cannot investigate small loaning activities, I must submit, Mr. Chairman, that the reason is a pretty thin one.

Hon. Mr. DUNNING: It will be in the judgment of the House of Commons. The house will determine it. It does not matter what Mr. McGeer or I think of the matter. The House of Commons will determine what committee will handle the matter.

Mr. McGEER: I want to say that when I came to this House of Commons I came here to perform what I thought was a public duty, and as long as I have the right to stand in the well of the House of Commons or in any committee I will ask in any investigation of this kind the questions which I think ought to be answered.

Hon. Mr. DUNNING: Of course. Nobody is denying that.

Mr. McGEER: And the fair members of this committee will agree that when I ask for the production of the actual details of the loan transactions—

Hon. Mr. DUNNING: 37,000 of them. Which one?

Mr. McGEER: No. If you want to know the way this matter should be investigated if this committee is going to report to the House of Commons properly, the committee should be supplied with the means of putting a thoroughly competent body of auditors in to examine the books of these loan companies and to bring us back special reports on what these companies are actually doing, and the parties to the investigation should go on the stand and be examined, not for a few casual minutes, but for whatever time is necessary to place fully before every member of this committee and before the House of Commons the actual facts regarding this type of business.

Now, I resent very much the suggestion that because we stand here asking for information there is an inference to be drawn; that members of the committee are acting in a way that is designed to prevent people coming before a parliamentary committee from getting a fair hearing and from giving a fair decision. Every member of this committee has a duty to himself and to his constituents and to the House of Commons to make his report to the House of Commons on a vote that is made in the light of all information that should be before this committee. I have watched this committee's operations on this particular thing—

Mr. CLEAVER: For the last week you have not; you have been away.

Mr. McGEER: No, I have been away. But every member has a right to be away.

Mr. CLEAVER: You have no right to hold the committee back because you were away.

Mr. McGEER: When he comes back he has the privilege to go to work.

Mr. MARTIN: And to go all over it again?

Mr. McGEER: Did you call anybody from the Bank of Commerce?

Mr. CLEAVER: We called your special witness and took three-quarters of a day and you were not here to cross-examine him and he was a washout.

Mr. McGEER: He might have been a washout.

Mr. VIEN: The same questions could be applied to the Bank of Montreal and the Bank of Nova Scotia and every chartered bank in Canada. It would be an endless task.

The CHAIRMAN: May I suggest that we are discussing section 3 of the bill.

Hon. Mr. STEVENS: That is a good idea.

Mr. McGEER: We have had that regularly.

The CHAIRMAN: What?

Mr. McGEER: The reference to the section we are discussing.

The CHAIRMAN: We ought to proceed in an orderly manner, Mr. McGeer, I suggest.

Mr. McGEER: I say we have had it and there is no reason why we cannot get it again.

The CHAIRMAN: Well, thank you.

Mr. VIEN: It is in order now and quite appropriate.

Mr. McGEER: Now, I suppose the Minister is aware of the fact that there may be same dispute as to the right to charge 14 or 7 per cent under the bill we are amending. Has the Department of Finance any final decision on that?

Hon. Mr. DUNNING: May I answer that?

Mr. McGEER: Yes.

[Mr. Arthur P. Reid.]

Hon. Mr. DUNNING: The advice of the law officers of the crown to me with respect to the law is, with all respect, the advice I must take.

Mr. McGEER: Yes, I agree.

Hon. Mr. DUNNING: Then we agree on that. This bill is, from my point of view, a private bill. Any opinions I quote with respect to it are merely to place at the disposal of this committee and of the house such experience as the department has with respect to the particular matter. A year ago I indicated that opinion on the floor of the house, and the bills as a consequence came to this committee because of the experience which I there indicated. The best advice which I can get from one of the best officers of the government, in my opinion, is to the effect that this bill and the other one like it does have the effect of reducing the charges which the great bulk of borrowers of small loans from this company would have to pay. I am only in favour of the bill for the reason that it is a small step and I would not be in favour of it at all if it were a final step in that direction. I believe that this bill has the effect of lowering the charges for the great bulk of borrowers, not lowering it enough in my opinion, and that is why I again repeat that the committee if it does not want the Dominion to issue licences to this company at all, should say so, reach some decision. Continuing to talk of the things that have been talked over—

Mr. McGEER: Now, I asked you a question, Mr. Dunning, and you make another speech.

Hon. Mr. DUNNING: I am imitating you.

Mr. McGEER: You talk about wasting time. I ask of you a plain straight question. Has the Department of Finance a ruling from the Department of Justice as to whether or not under the bill that we are amending the company can charge 14 per cent instead of 7 that appears on the face of the bill?

Hon. Mr. DUNNING: Well, it is no use asking me that question because my hon. friend knows that the premise he sets up is not the correct premise. 14 per cent is not the limit of what the company charges under the existing legislation. It goes away beyond that.

Mr. McGEER: As far as interest is concerned.

Hon. Mr. DUNNING: It goes away beyond 14 per cent. We all know it does because in addition to the 7 per cent rate of discount which they have been charging there are other charges. What I am interested in is not whether you call it interest or whether you call it charges; I am interested in what the borrower pays, and he pays it all. Now, with respect to an expression of opinion from the Department of Justice. We have consulted the Department of Justice on many occasions with respect to this small loan business. Whether there is an opinion bearing on that point I cannot answer offhand.

Mr. McGEER: You see what I have in mind. I am not asking an idle question.

Hon. Mr. DUNNING: I am quite sure of that.

Mr. McGEER: What I would like to see is something which would maintain the parliamentary principle which has so long been established. The restricting of the rate of interest to all appears to be 7 per cent. Now, if under the act we are amending the Department of Justice has ruled that they can charge for interest 14 per cent, I should like to know it.

Mr. FINLAYSON: Perhaps I should give to Mr. McGeer the statement I made this morning. There have been no rulings of the Department of Justice on that point, and I wish to continue, no expression of opinion. The Department of Justice would not I believe care to give an opinion because the question is now before the courts. There have been conflicting decisions. One court, the Circuit

Court of Montreal has given a decision one way; the Superior Court in Montreal has given a decision diametrically opposed. I believe the Department of Justice would not care to give an opinion while the matter is before the courts; they would tell us to await the final decision.

Mr. McGEER: I should like to point this out: suppose you go ahead with this legislation and the courts determine the 7 per cent rate is all they can charge for interest, then, the result of his bill would be a very definite increase in the rate of interest, would it not?

Hon. Mr. STEVENS: Hear, hear.

Mr. MARTIN: No, not at all.

Mr. McGEER: I am asking Mr. Finlayson, Mr. Martin.

Mr. MARTIN: I am pointing out to you, if you will allow me, the case in the province of Quebec does not affect this company. As you know every case must be decided on special facts. Those facts do not apply to this particular company. This company operates in the province of Ontario on chattel mortgages. The case in question deals with a company operating in the province of Quebec on endorsements.

Mr. McGEER: The statement then that the Department of Justice could not rule because the case is before the courts is not sound?

Mr. MARTIN: It is sound in regard to the general problem, certainly.

Hon. Mr. DUNNING: Have you any more questions to ask me? May I be permitted to leave if there are no other questions? If any member of the committee desires to ask the Minister any questions, I wish you would do so now, because I have to leave.

The CHAIRMAN: Are you ready for the question..

Hon. Mr. STEVENS: No, for this reason: I call attention to this fact: this bill as we now have it has been before the committee about an hour and twenty minutes a lot of which time was taken up by the Minister and others.

The CHAIRMAN: Mr. Stevens, I suggested that you analyze all of these amendments before they came before the committee officially, and gave you that privilege.

Hon. Mr. STEVENS: No.

The CHAIRMAN: Yes.

Hon. Mr. STEVENS: I made a comparison of the amendments with the bill, and I am now going to say two or three things. I have two or three amendments to make. I do resent the suggestion that the discussion I indulged in yesterday was blocking or obstructing this committee.

The CHAIRMAN: I have not said that.

Hon. Mr. STEVENS: You have not. You were too polite to do so; but it has been said. I resent that very much, because my analysis of this bill yesterday, which may not have been in a form to suit everybody, was strictly to the point. Now that bill is gone by the decision of the committee. Mr. McGeer has made a statement with which I am entirely in accord. I do not think members of the committee have given much thought to whether or not the company is exceeding its powers. I say the company at the present time has power to charge 7 per cent interest, which it interprets in a certain way with which I entirely disagree; but we will not dispute that it has power to add certain charges.

The CHAIRMAN: Mr. Stevens, I cannot get order if you are going to repeat something that has been said over and over again. Now, I am trying to keep order but I warn you I cannot do it.

Hon. Mr. STEVENS: Mr. Chairman, I have not said this over and over.

The CHAIRMAN: Others have.

[Mr. Arthur P. Reid.]

Hon. Mr. STEVENS: No; I have not.

The CHAIRMAN: Will you please keep order. Mr. Stevens is going to say something new. Will you keep order.

Hon. Mr. STEVENS: All right, Mr. Chairman, I will reserve it for the house. I will not discuss that any more.

The CHAIRMAN: You have an amendment?

Hon. Mr. STEVENS: Yes. But again I say that I resent the suggestion that it is obstruction.

The CHAIRMAN: I did not say that.

Hon. Mr. STEVENS: No; but you said it had been said over and over.

The CHAIRMAN: I said that statement had been made.

Hon. Mr. STEVENS: You did not listen to my argument. I had only started on it. I beg to move that section 3 of this bill be amended—

Hon. Mr. LAWSON: "Section 3 is amended" to make an accurate description for the record.

Hon. Mr. STEVENS: "—be further amended by adding thereto a further subsection as sub-paragraph (v) as follows: If the Company shall wilfully or by an established method of business violate or fail to observe any provision contained in sections five and six of this Act, it shall be guilty of an indictable offence and liable to a fine not exceeding five thousand dollars and not less than one hundred dollars.

If any officer or director of the Company shall do, cause or permit anything contrary to any provision contained in sections five and six of this Act, other than an accidental slip, error or omission, he shall be guilty of an offence against this Act and liable for each such offence to a fine not exceeding five thousand dollars and not less than twenty dollars."

It will be recalled that I pointed out yesterday that we were abandoning many provisions calculated to protect the borrower and to restrict a company of this kind.

The CHAIRMAN: May I have the amendment?

Hon. Mr. STEVENS: Which, by the way, appears in the bill as originally submitted to the committee by the company itself. Now, the company can accept this; it is open to them to accept it, and if they do I presume the committee will have no objection to putting it in the bill.

Hon. Mr. LAWSON: I will have no objection.

Mr. COLDWELL: Just before we proceed any further, on a point of order or privilege or whatever you like to call it, I think Mr. Cleaver referred to a witness who came here at his own expense to-day as a "washout".

Mr. CLEAVER: I said his evidence was a washout.

Mr. COLDWELL: I suggest that the word "washout" be deleted from the minutes of this meeting.

Mr. VIEN: We have passed that order.

Mr. COLDWELL: I know we have. I do not think it should be there.

Mr. MARTIN: I would second that, but I would agree that it was a washout. I think it should be taken out of the evidence.

The CHAIRMAN: With your permission.

Mr. CLEAVER: If it will help us to get on I will withdraw all I have said.

The CHAIRMAN: Carried.

Mr. VIEN: The record speaks for itself now.

Hon. Mr. LAWSON: May we have that amendment read again, please?

Mr. McGEER: I was wondering while we are waiting for this amendment if Mr.—

Mr. MARTIN: It is all here.

Mr. McGEER: I was wondering if the information was before the committee.

Mr. MARTIN: We will pursue it.

The CHAIRMAN: Order please.

Hon. Mr. LAWSON: Can we have the amendment read?

The CHAIRMAN: We are going to have it read in a minute. I will ask the Superintendent of Insurance to read the amendment because he has made some changes which I understand are acceptable to Mr. Stevens and to the company.

Mr. FINLAYSON: Perhaps I should explain: This amendment will be sub-paragraph (iv) to paragraph (b). Mr. Stevens suggests the addition of another sub-paragraph (v). It will then read this way:—

If the company shall willfully or by an established method of business—

Hon. Mr. LAWSON: That was the word I could not get before. Would you mind repeating it?

Mr. FINLAYSON: "If the company shall willfully or by an established method of business violate or fail to observe any provision contained in"—you will get the wording exactly in section 10, inserted by section 4, of the original Bill. The only change will be the cross references.

If the company shall willfully or by an established method of business violate or fail to observe any provision contained in now we have to put in:—

sub-paragraph (iv) of this paragraph.

Mr. MARTIN: Which is?

Mr. FINLAYSON: Which is this, sub-paragraph (iv).

Mr. MARTIN: Yes?

Mr. FINLAYSON: "Sub-paragraph (iv) of this paragraph."

Mr. VIEN: Sub-paragraph 4 of this section.

Mr. FINLAYSON: Of this paragraph.

Mr. VIEN: Of this paragraph?

Mr. FINLAYSON: I think that is enough.

Mr. VIEN: Oh, yes.

Mr. FINLAYSON:

It shall be guilty of an indictable offence and liable to a fine not exceeding five thousand dollars and not less than one hundred dollars.
Then:

If any officer or director of the company shall do, cause or permit anything contrary to any provision contained in sub-paragraph iv of this paragraph, other than an accidental slip, error or omission, he shall be guilty of an offence against this Act and liable for each such offence to a fine not exceeding five thousand dollars and not less than twenty dollars.

Mr. VIEN: I think we should agree to a fine a little lower than five thousand dollars. I think one thousand dollars would be just as good.

The CHAIRMAN: What is your pleasure with regard to the amendment?

Mr. VIEN: Would you agree to a thousand dollars?

Mr. McGEER: Would you make it retroactive?

The CHAIRMAN: What is your pleasure, gentlemen, in regard to the amendment.

Hon. Mr. STEVENS: Carried.

Mr. McGEER: Just a minute, Mr. Chairman; we are discussing this proposed amendment to section 4.

[Mr. Arthur P. Reid.]

The CHAIRMAN: All right.

Mr. McGEER: We are not passing on amendment 5 yet surely. I have been discussing sub-section 4.

Hon. Mr. LAWSON: That may be, but you gave up the floor and Mr. Stevens got it and moved the amendment.

The CHAIRMAN: Mr. Stevens moved the amendment which I think properly before the committee. What is your pleasure in regard to the amendment?

I declare the amendment carried.

Mr. Stevens had another amendment to bring before the committee.

Mr. McGEER: You seem to be in a lot of hurry here.

The CHAIRMAN: We are not in a hurry, Mr. McGeer.

Mr. McGEER: This is the important thing in this case you know. What I have been trying to get is some information from the Department of Justice, Mr. Chairman, and I may be labouring under a delusion as to what the Department of Justice is for.

The CHAIRMAN: What is the information you want.

Mr. McGEER: I think it might be available to give us an interpretation of the meaning of the laws that have been on the statute books for several years. I thought, with my rather limited experience, that when members of a committee wanted to be put in a secure position as to the legal meaning of a certain section which they had under consideration in committee that they had the privilege of bringing someone in from the Department of Justice who is competent to give an opinion on that piece of legislation.

Hon. Mr. LAWSON: Might I rise to a point of order? That question was raised this afternoon. It was discussed by the committee and voted upon, and it was voted down. I submit, therefore, that it is out of order to raise this question over again.

Mr. LANDERYOU: The resolution voted down was simply to prevent what they called stalling.

Hon. Mr. LAWSON: No, no; it was proposed here that we call upon the Justice Department to come here and give an opinion.

The CHAIRMAN: I agree with Mr. Lawson.

Mr. McGEER: The motion was to adjourn.

Mr. MARTIN: You were not here. You could not tell us.

Mr. McGEER: It was one of those double pitted motions which was out of order to begin with.

Mr. MARTIN: You were not here.

Mr. VIEN: I rise to a point of order, there is a point of order before the chair.

The CHAIRMAN: I rule that point of order properly taken; that the matter is not now before the committee.

Mr. McGEER: Well, Mr. Chairman, I think before you make that ruling—

Mr. VIEN: It is made.

The CHAIRMAN: I made a ruling, Mr. McGeer. You may appeal from my ruling if you wish.

Mr. McGEER: I do appeal from that ruling.

The CHAIRMAN: The question is; shall the ruling of the chair be sustained? Those in favour please rise. Those opposed.

It is a tie. I declare the ruling of the chair sustained.

What is the next order of business?

Mr. TUCKER: I think the vote should be counted.

The CHAIRMAN: The votes were counted. I have the count from the clerk. Mr. Tucker, please let us get on.

Mr. TUCKER: I counted and there were who voted that the rule should not be sustained.

The CHAIRMAN: I accepted the report of the clerk.

Mr. McGEER: Can't we have a recorded vote?

The CHAIRMAN: Some of the members have gone out. Please let us get on.

Mr. McGEER: No, no; I asked for a recorded vote. Surely this committee is not going to conduct its affairs in that way.

Mr. MARTIN: You are helping us.

Mr. McGEER: No, I am not helping you. I think that this ruling, without going back to it, was a ruling on nothing; because it was a ruling before I made the motion that I propose to make when this recorded vote is taken. All I want to ask is the right of a member of this committee to have a recorded vote on that vote. I am surely entitled to that.

Mr. MARTIN: Some of the members have gone out.

The CHAIRMAN: Some of the members have gone out.

Mr. McGEER: That does not matter.

Mr. MARTIN: It certainly does matter, you can't bulldoze us that way.

Mr. TUCKER: A member of a committee certainly has a right to ask that a vote be recorded. The fact that a member leaves the committee before the vote is recorded I submit does not prevent the recorded vote being taken. That is obvious.

Mr. QUELCH: They are all present.

Mr. MARTIN: Mr. Jacobs was here, but he is not here now.

Mr. McGEER: He was not here.

Mr. MARTIN: He certainly was.

Mr. McGEER: In any event, I think we should have a recorded vote.

Mr. MARTIN: We certainly are not going to have a recorded vote unless the members are here who voted.

Hon. Mr. STEVENS: When a vote is being taken there is nothing allowed to intervene in the taking of the vote; and I respectfully suggest to you that when a recorded vote is asked for it should be taken.

The CHAIRMAN: Gentlemen, a vote was taken and the clerk reported to me the number of those who voted. It was declared a tie. The chairman voted in favour of sustaining the ruling of the chair; and then some of the members of the committee, very obviously, left the committee room. Now then, it is up to you to decide.

Mr. VIEN: On the point of order: I would suggest that the time to ask for a recorded vote is when the question is being put; whether it shall be a standing vote or a recorded vote.

The CHAIRMAN: Yes?

Mr. VIEN: And therefore it is no longer in order to ask for a recorded vote at this time. The request for a recorded vote should have been made when the chair was putting the question.

Mr. McGEER: No. The purpose of a recorded vote is to check the scrutineer. Mr. Tucker has questioned the correctness of the vote, and he asked at once for a recorded vote; and that surely is the right of a member of a committee.

The CHAIRMAN: Mr. McGeer, that is very obvious; but the request was not made until some members of the committee had left the room, in my opinion at any rate.

[Mr. Arthur P. Reid.]

Mr. TUCKER: The statement is made that some of the members have left the room. That is a statement made so far as I know without any substantiation at all.

Mr. MARTIN: I rise to a point of order.

Mr. TUCKER: Just a minute.

Mr. MARTIN: Never you mind, I can bulldoze too. I rise to a point of order, Mr. Chairman.

Mr. TUCKER: Mr. Chairman, I ask that Mr. Martin's statement that he can bulldoze too be withdrawn. I insist, Mr. Chairman, that a statement of that kind should not be made by Mr. Martin, and I am not going to stand for it.

The CHAIRMAN: Order, gentlemen, order please.

Mr. TUCKER: I ask that you take that statement back Mr. Martin.

Mr. MARTIN: I rise to a point of order; Mr. Sam Jacobs sat here at my left between Mr. Deachman and myself. Isn't that so, Mr. Deachman?

Mr. DEACHMAN: My impression is that he did. I am not sure however.

The CHAIRMAN: Here he is now.

Mr. TUCKER: I just ask again that Mr. Martin withdraw the statement he made.

The CHAIRMAN: Record the vote, Mr. Clerk.

Mr. TUCKER: I insist that Mr. Martin withdraw the statement that he could bulldoze too.

The CHAIRMAN: Will you withdraw your statement about bulldozing, Mr. Martin?

Mr. MARTIN: I am willing to do anything to help things along.

The CHAIRMAN: Record the vote, please. It is as to whether the ruling of the chair shall be sustained.

The CLERK: The vote is 9 for, and 9 against.

The CHAIRMAN: It is a tie vote. I again declare the Chairman right.

Mr. McGEER: So that the position can be correct I am going to now move what I intended to move—unless I am ruled out of order before I move it—that we ask the Department of Justice to give us a ruling on whether or not in the bill to be amended the loan company has the right to charge as interest more than 7 per cent per annum.

Mr. VIEN: Mr. Chairman, I rise to a point of order. This question has been put and Mr. Finlayson has answered it.

Hon. Mr. STEVENS: No.

Mr. VIEN: And I suggest that it is a tedious repetition.

Mr. McGEER: I want to answer that, Mr. Chairman. I went into it very carefully to-day, and I understand that the motion that was put was a motion to adjourn pending the getting of that decision.

Mr. VIEN: No. My point of order is because a minute ago or about ten minutes ago the same question was put.

Hon. Mr. STEVENS: And he said he had not answered it.

Mr. VIEN: Exactly. He answered the question.

Mr. McGEER: No, he did not answer it. What he said was first that the Department of Justice would not rule on it because it was now before the courts.

Mr. VIEN: Well, will Mr. Finlayson answer now?

Mr. McGEER: He thought that. I cannot see that we should take, as a committee, if we want the facts on these things, the opinion of what the Department of Justice might or might not do; and if this committee is not going to have legal opinion of the Department of Justice on that point, then it is something that the House of Commons should be informed of.

Mr. VIEN: Mr. Chairman, I suggest that we adjourn until ten o'clock to-morrow morning.

The CHAIRMAN: Is that your pleasure, gentlemen?

Hon. Mr. STEVENS: Ten-thirty. Give us a chance.

The CHAIRMAN: Until 10.30 to-morrow. Is that the pleasure of the committee?

Some Hon. MEMBERS: Carried.

The committee adjourned at 10.57 p.m. to meet again on April 2 at 10.30 a.m.

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Canada Banking and Commerce
Ottawa, 1937

SESSION 1937

HOUSE OF COMMONS

STANDING COMMITTEE

ON

BANKING AND COMMERCE

MINUTES OF PROCEEDINGS AND EVIDENCE

Respecting

Bill No. 58 (Letter C of the Senate), An Act Respecting
Central Finance Corporation and to change its name to
Household Finance Corporation

No. 5



MONDAY, APRIL 5, 1937

WITNESSES:

Mr. G. D. Finlayson, Superintendent of Insurance, Department of Insurance, Ottawa.

Mr. Arthur P. Reid, Vice-President and General Manager, Central Finance Corporation, Toronto.

MINUTES OF PROCEEDINGS

Monday, April 5, 1937.

The Standing Committee on Banking and Commerce met at 8 o'clock p.m., this day; the Chairman, Mr. W. H. Moore, presided.

Members of the Committee present.

Messieurs: Baker, Clark (*York-Sunbury*), Coldwell, Cleaver, Deachman, Donnelly, Edwards, Euler, Fiset (Sir Eugene), Fontaine, Fraser, Harris, Hill, Jacobs, Jaques, Kinley, Landeryou, Lawson, Macdonald (*Brantford City*), McGeer, McPhee, Mallette, Martin, Moore, Plaxton, Quelch, Ross (*Middlesex East*), Stevens, Tucker, Vien, Ward (31).

In Attendance; for call or information if required:

Mr. G. D. Finlayson, Superintendent of Insurance, Ottawa; Mr. Arthur P. Reid, Vice-President and General Manager of, and Mr. Harold Walker, K.C., counsel for the Central Finance Corporation, Toronto; Col. A. T. Thompson, K.C., Parliamentary Agent for the Bill 58.

Mr. Stevens moved,—That the Manager of the Small Loans Department of the Canadian Bank of Commerce be called to give evidence before this Committee on the question of small loans, at some time prior to the passing of Bill C by this Committee.

Motion opposed; division called for.

Committee divided—votes recorded; Yeas (8), Nays (12).

Mr. Finlayson called and questioned. Made statement.

Mr. Walker filed "Discount Schedule," marked Exhibit No. 3.

Mr. Reid recalled. Examined by Mr. McGeer and others.

Discussion and questioning by Mr. McGeer, Mr. Landeryou, Mr. Tucker, Mr. Donnelly, Mr. Martin, Mr. Vien, Mr. Cleaver and others of the Committee.

At a late hour, Mr. McGeer moved: That the Committee adjourn.

Negatived, on a division—Yeas 7, Nays 11.

Mr. McGeer filed "Table of Rates," as Exhibit No. 4; also, Leaflet, entitled, "Personal Loans." Marked Exhibit No. 5.

Mr. Walker filed Booklet called "Financing Canadian Families," "Facts respecting small business in Canada." Marked Exhibit No. 6.

It being then after twelve o'clock Mr. Stevens moved the adjournment of the Committee. Some objection was raised; a vote was called for, and on a standing vote the motion carried.

The Committee adjourned to meet again Tuesday, April 6, at 10.30 o'clock a.m.

E. L. Morris,
Clerk of the Committee

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

April 5th, 1937, Room 368.

The Standing Committee on Banking and Commerce met at 8.00 p.m. Mr. W. H. Moore, the chairman, presided.

The CHAIRMAN: We have a quorum. I will call on Mr. Stevens now.

Hon. Mr. STEVENS: I would like to suggest, and I will move that we should call the manager of the small loans department of the Canadian Bank of Commerce to be heard before this is disposed of. It strikes me it is a reasonable thing. Just to-day I received a communication which while of no great significance does show something of interest to this committee. It refers to the loan which this correspondent of mine received from the small loans department of one of the banks and made some comments indicating some interest in the matter.

The CHAIRMAN: You would not suggest that we should examine the manager of the small loans department of the Bank of Commerce and report the bill this session?

Hon. Mr. STEVENS: I don't see why we should not.

The CHAIRMAN: Is it not generally understood that the house is going to rise this week?

Hon. Mr. STEVENS: I think Mr. Finlayson could give us an idea as to that.

Mr. FINLAYSON: I haven't the least idea; you see, I have no connection with that.

The CHAIRMAN: I understood that the house was going to rise on Wednesday or Saturday.

Hon. Mr. STEVENS: I don't know anything about it, I have no idea.

The CHAIRMAN: I think they expect to be through then.

Hon. Mr. STEVENS: I understood we were looking forward to getting through on Saturday; my own idea is that it will probably be some time towards the end of next week, because of the fact the Senate have not finished their work. What I am suggesting is that we should call the manager of the small loans department of the Bank of Commerce to give evidence to this committee on the question of the small loan section of their business.

The CHAIRMAN: I think that would be tantamount to reporting that we killed the bill.

Hon. Mr. STEVENS: I do not think so. You can get these people very quickly.

The CHAIRMAN: How?

Hon. Mr. STEVENS: Wire them.

The CHAIRMAN: Surely, if we are going to have any evidence worth while and examine these men, it is not going to be done in half an hour, or an hour, or in one sitting. What I would suggest—

Mr. LANDERYOU: Mr. Chairman—

The CHAIRMAN: Just a minute, please, Mr. Landeryou, until I finish. What have we passed? I think we have passed two sections of this bill.

Mr. MARTIN: Yes; and Mr. Finlayson's amendment and Mr. Stevens' amendment.

The CHAIRMAN: It seems to me that if Mr. Stevens wants the examination to go that far we can hardly do more than pass the two sections of this bill this session.

Hon. Mr. STEVENS: Mr. Chairman, we were specifically told when this bill and the other bill associated with it were before the house that the committee would have every opportunity of calling whatever witnesses it might require and go thoroughly into the whole matter; and the assertion was made that we would send the bill to the committee so the committee would carry on this work.

The CHAIRMAN: I know that, but we are face to face with adjournment now and there is no need of our deceiving ourselves, we might just as well realize that we have only a few hours left of practical committee time, now, I would agree with you Mr. Stevens, that to make a finished job we ought to have these men here, of course; we probably should have thought of that a couple of weeks ago. We have been engaged on this bill—for how long? How long have we been on it now?

Hon. Mr. STEVENS: Less than two weeks.

The CHAIRMAN: About two weeks, two weeks we will say. In that time we have gone very extensively into the bill and into such matters as have been brought to our attention. I don't know just the way it stands whether the promoters of this bill will be satisfied to take the two sections of the bill and drop it until next year or not. It seems to me that we can do no more, because there is a very obvious attitude to go on further and further—I won't say to delay the bill, or section 3, but to discuss it—and it will take a longer time than we have to give to it. I think we can all realize that.

Mr. LANDERYOU: I believe, Mr. Chairman, that we should have a manager of the personal loans branch of the Bank of Commerce here. I have secured a table of their rates and one of their pamphlets, and I have been assured that they make loans to the same types of borrowers and for the same reasons, but the rates charged are approximately half, if not less than that, of those charged on personal loans.

Mr. JACOBS: Why haven't they got the business?

The CHAIRMAN: Mr. Stevens has given us a motion and I want to put it to the committee.

Mr. TUCKER: Before you put the motion, Mr. Chairman, I would like to speak to it just shortly. There are two arguments which are presented to the committee; the first one is that this bill has the effect of cutting down the rates of the company, as that we have decided that in fact it results in increasing the rates they can charge. That is one of the things before the committee, the other issue that has been put to the committee is that the effect of cutting down the rate which they can charge; which we deny, those of us who are opposing the bill, who assume, if my contention is correct, that this bill has the effect of increasing the rate which they can charge. And in addition to that there is this argument: that these companies are filling a great need, they are lending money to people who cannot get money in any other way. Now then, if we have got to raise rates of interest to an effective rate of 26·8 per cent—

The CHAIRMAN: Mr. Tucker, just a minute; suppose we just discuss the practicability of examining this business. That is the first point.

Mr. TUCKER: I am going to come to that in a minute.

The CHAIRMAN: Could we not take it first?

Mr. TUCKER: I would rather come to it in my own way.

The CHAIRMAN: Why not concentrate on that?

Mr. TUCKER: I would rather put it in my own way.

Mr. BAKER: The chairman has ruled that you should speak to the point of calling these witnesses.

Mr. TUCKER: Of course, if the chairman rules me out of order.

The CHAIRMAN: I am not ruling you out of order.

Mr. TUCKER: Mr. Baker says you have.

The CHAIRMAN: I am not ruling you out.

Mr. BAKER: I am saying that the chairman has a right to rule as to which he would like first.

The CHAIRMAN: I am suggesting by way of procedure that we discuss the practicability of examining this witness this session. Now then, if it is impracticable there is no other argument to it; and if we all say it is highly desirable to hear him I raise the point as to whether or not it can be done this session. Is it too much to ask you to dispose of that first?

Mr. TUCKER: So far as that goes, there is no reason in the world why this man could not be asked to appear here before this committee by to-morrow night.

The CHAIRMAN: I would say so.

Mr. TUCKER: Why?

The CHAIRMAN: He is not in his business office now.

Mr. TUCKER: He can be sent a wire.

The CHAIRMAN: For all we know he might be in Vancouver.

Mr. TUCKER: It would be all right, Mr. Chairman, if we were not able to get him until Wednesday. I understand that the other personal finance bill is still in committee of the house, and I presume that to put it through its final stages will take the remainder of the private bills hour on Tuesday; so that if we did not get this bill reported before Friday we would not be holding it up. I say quite frankly that by doing that we would not in any way be preventing parliament from dealing with this bill. I think that we should have the evidence Mr. Stevens asked for and if we can possibly do that in time to report the bill by Friday we should make an endeavour to do so.

The CHAIRMAN: When do you expect the house will rise? I am assuming it will rise on Saturday.

Mr. TUCKER: There will be a private bills hour on Tuesday and again Friday evening. Then, there is the other bill of the industrial loan finance which is still in committee stage. If anybody thinks the Industrial Loan and Finance Companies Act is going to go through in such a short time that you can also deal with this bill you are going to be very much mistaken. May I say, that the suggestion that we should call these men is not made with the idea that we will not report. So far as I am concerned, I want to see this bill reported before Friday.

The CHAIRMAN: If this committee does not report before Friday the house can't deal with it.

Mr. TUCKER: It can report on Thursday if we can get these men before us without delay. What I am anxious for is a chance to ask such a witness one question, and the question I would like to ask him is this, Mr. Chairman; it is a question that is very prominent in our minds; we are told that it is necessary to allow these people to charge an effective rate of 26·8 per cent to get them to do business.

The CHAIRMAN: Just a minute, Mr. Tucker, please; on this motion of Mr. Stevens—who is the man you want? Do you know his name? Does anybody know his name? Do you, Mr. Stevens?

Hon. Mr. STEVENS: The man we would want is the superintendent of the small loans department of the Bank of Commerce.

The CHAIRMAN: And that is all we can get about it. No one here seems to know whom we should call.

Mr. TUCKER: We could easily find out.

Mr. VIEN: There is a certain degree of reason. Honourable members of the committee who suggest that a gentleman should be called should tell the committee who that man is; and if nobody knows who the man is I think the committee is ready for a question.

Mr. TUCKER: Your thoughts in the matter are incorrect; for so far as I am concerned the committee is not ready for the question until we dispose of this question.

Mr. VIEN: I say it is altogether unreasonable to—

Mr. TUCKER: I have been interrupted time after time by Mr. Vien, Mr. Chairman, and I would like to ask you to ask him to sit down until I have finished what I have to put to the committee.

The CHAIRMAN: We will let Mr. Tucker have the floor for a while, Mr. Vien.

Mr. DONNELLY: We have to put up with a lot.

Mr. BAKER: We do put up with a lot.

Mr. TUCKER: I would like to have the man in charge of this branch of the Bank of Commerce tell us whether if we allowed them to charge say 18 per cent they would enter this field and do it in a more satisfactory way than this company is now doing it who now want to be authorized to charge 26·8 per cent. I would like to find out from them whether it would not be possible for this parliament to extend them such facilities by way of rate as would enable banks to provide that service to the people for which they were intended and at the same time save them from paying such rates as this company asks.

The CHAIRMAN: We agree, it should serve—

Hon. Mr. STEVENS: Mr. Chairman—

The CHAIRMAN: Mr. Stevens, just a minute please. You have had a great deal of experience in these matters; when a man of this type is wanted as a witness should we not communicate with the bank and ask them if they would send their responsible officer concerned to appear before this committee? Should we not do that instead of asking for a certain man?

Hon. Mr. STEVENS: Quite so. Mr. Finlayson might tell you the name of the man concerned.

Mr. FINLAYSON: I haven't the slightest idea.

Mr. EDWARDS: I would like to ask why this man has not been summoned before?

The CHAIRMAN: Nobody can answer that evidently. Mr. Finlayson does not know the man. I wonder—

Mr. VIEN: I think the committee is ready for the question; the motion made by Mr. Stevens.

The CHAIRMAN: We could not get in touch with the general manager of the bank until tomorrow.

Mr. TUCKER: You could get him on the long distance telephone tonight.

The CHAIRMAN: No, no; you can't do that. We would have to have his authority first; that is right, isn't it?

Hon. Mr. STEVENS: I do not think there would be any difficulty in getting in touch with him, if the committee passes the resolution in which to do so.

The CHAIRMAN: The only difficulty I am thinking of is time.

Mr. LANDERYOU: We don't want to railroad this bill through.

The CHAIRMAN: Nobody is railroading it. If you are railroading it it would have been across the continent by now; in the time that we have spent on the bill we could have gone across the continent and back on it.

Mr. LANDERYOU: I do not see why we should not send for this man.

The CHAIRMAN: What is the pleasure of the committee? I see Mr. McGeer has something he wishes to say.

Mr. McGEER: I feel, first of all, that it would be very nice if we could get through the committee's work and have the bill reported before this session closes; at the same time, I cannot help but feel that there are some matters which have developed during the past year which have a real significance in relation to this whole problem relating to what are known as the money lending companies.

The CHAIRMAN: Are you speaking to Mr. Stevens' motion?

Mr. McGEER: Yes, I am speaking to that. What I would like to draw to the attention of the Chair is something much more important than the reporting of this bill to the house, and that is that nothing should be reported to the house under any circumstances that is not the subject of proper investigation by a committee having the responsibility of this committee at this time...

Some hon. MEMBERS: Hear hear.

Mr. McGEER: It is all very well to say that people who come to parliament for legislation are entitled to have parliament deal with the issues that they raise; but parliament directed this committee to make an important investigation upon an important subject, a proposed amendment not only to legislation but also to parliamentary principles which have been established with a great deal of misgiving. Now, we know that the Bank of Commerce have launched a program of endorsed loan lending, and in one of the bills that this committee has already reported on the explanation of the proposed amendment in the bill indicates that the Bank of Commerce is doing a part of the business of the Central Finance company, and a part of the business which this company proposes to get at a considerably lower rate of interest than this corporation, and the other one upon which the committee has already reported, are asking. To say that we have not time to communicate with the Bank of Commerce and ask them to send the manager of their endorsed lending department...

The CHAIRMAN: Mr. McGeer, I do not think anyone has said that. What was said was that we had not...

Mr. McGEER: I am directing myself as to the practicability of communicating with the Bank of Commerce.

The CHAIRMAN: And examining the witness.

Mr. McGEER: And having in mind reporting this bill before Friday.

The CHAIRMAN: And having a thorough examination. That is so?

Mr. McGEER: Yes. Then I come to that too, because there are a lot of other matters that I think should be investigated before this committee should ever report the bill.

Mr. VIEN: Mr. Chairman, the question is on Mr. Stevens' amendment or motion.

Mr. McGEER: Yes, I am speaking to that very thing.

Mr. VIEN: No.

Mr. MARTIN: There is too much latitude.

Mr. McGEER: Well, we have some rights.

Mr. VIEN: Mr. McGeer is referring to a lot of other questions which should be investigated. We are now on the motion by Mr. Stevens asking that a certain gentleman be called. The question is left at that.

The CHAIRMAN: I think that is the motion, Mr. McGeer, very plainly.

Mr. McGEER: Well, I did not know that I had gone away from that.

The CHAIRMAN: Well,—

Mr. MARTIN: But you are trying.

The CHAIRMAN: I think the record will show that you said there were also other questions to be investigated.

Mr. McGEER: Well, I said that.

The CHAIRMAN: But you did not intend to discuss that.

Mr. McGEER: No, I was not going into that phase of it. What I would like to bring to your attention, Mr. Chairman, is the position which the committee puts itself in if we refuse to accept Mr. Stevens' motion and refuse to make an attempt to bring the representative of that department of the Bank of Commerce here to assist us in doing what the public are entitled to expect us to do, namely, to report favourably on this amendment if it should be reported favourably upon or to qualify it and change it and recommend the change that we propose or to condemn it off-hand. I cannot conceive of the Banking and Commerce Committee of the Parliament of Canada undertaking to endorse—which reporting this bill to the committee must mean—

Mr. MARTIN: That is three times.

Mr. McGEER: And if I were ever to get the meaning of it into your head, my friend, I would probably have to go over it three hundred times.

Mr. MARTIN: Well, I do not believe you could.

Mr. McGEER: No, I do not believe I could either. But I have not any hope of doing that. However, there are others here.

The CHAIRMAN: Gentlemen, gentlemen, please. This is a solemn body. It is a serious body, Mr. McGeer.

Mr. McGEER: I am quite serious. I never was more serious in my life, Mr. Chairman.

Mr. MARTIN: You could not be.

The CHAIRMAN: You never looked less serious, Mr. McGeer.

Mr. McGEER: Just put yourself outside of this committee for a moment and look at it from the point of view of the public.

Mr. VIEN: We are on Mr. Stevens' motion.

Mr. McGEER: A motion comes before us to call the representative of a responsible, recognized business institution in the banking world to tell us how legitimate banking institutions carry on the business of small loans.

The CHAIRMAN: Mr. McGeer, may I ask you also to speak to the question of the practicability of examining this witness this session? We are all agreed, I think, that it would be desirable to have this man here. But is it practicable to have him here this session?

Mr. McGEER: That is what I am suggesting.

The CHAIRMAN: That it is practicable?

Mr. McGEER: Yes, and the reason why it is practicable, Mr. Chairman—the point that I am hoping to impress upon you, sir, is not so much the impracticability of not having him here, but the monstrous nature of an inquiry that would refuse to take advantage of the opportunity of having such a witness and not doing so.

Mr. MARTIN: Nobody is refusing.

The CHAIRMAN: No, nobody is refusing to have him.

Mr. McGEER: Well, let us have agreement upon the proposition of calling the witness.

Mr. VIEN: Let us put the question to the committee.

The CHAIRMAN: Let us vote on it.

Mr. DEACHMAN: Hear, hear.

Mr. VIEN: If the committee is well advised, let us put the question.

Mr. McGEER: I do not think we should hurry about so important a matter.

Mr. MARTIN: I do not think you should talk all night. I like to hear you outside, but inside you are terrible.

Mr. McGEER: The other feature of the thing is this, Mr. Chairman: I have a good deal of difficulty in convincing myself that this company is entitled to any consideration whatever at the hands of a parliamentary committee.

The CHAIRMAN: Is this part of the motion?

Mr. McGEER: And for that reason I would like to have the best evidence I can have upon the nature of their activities as compared with what a banking institution in Canada is now prepared to do and is doing in the same field. For instance, I examined both the decisions in the Province of Quebec courts—

Mr. MARTIN: He has gone over that twenty times.

Mr. McGEER:—and after giving them very careful study, I came to the conclusion that there is one decision—

The CHAIRMAN: Mr. McGeer, I must rule that that does not apply to the amendment.

Mr. McGEER: May I suggest that the emphasis or the importance of the evidence that the witness would give is germane to the issue of whether or not we call the witness; and the particular evidence that I would like to have from the Bank of Commerce would be evidence of their method of doing business as compared with the record of this company's business, which we have not yet got before us but I think we can get or which I hope to get before this committee closes; because, Mr. Chairman, that evidence might disclose that the rates of interest charged, the fees charged and the whole circumstances under which this company has done business, put it out of the realm of that type of business which parliament should recognize. If the Bank of Commerce, as I am informed, can tell us that they can carry on this type of lending business for about 12 per cent,—and it is only from that particular institution that we can get the evidence that we need to make that comparison,—upon what ground could this committee report the bill to parliament for favourable consideration which authorizes a rate of 26 per cent? Now, it does seem to me that that is going very, very far.

Mr. MARTIN: That is untrue, of course. Of course, you might know you are stating something that is wholly untruthful and inaccurate. But, of course, that does not matter.

Mr. McGEER: Mr. Chairman, I ask that that statement be withdrawn; because if I am incorrect, I am incorrect because I am not properly informed. But to say, the hon. member for Essex East has stated, that my statements are untruthful and that it does not matter, is an attitude of one member to another that does not have to be tolerated, and I ask that it be withdrawn.

The CHAIRMAN: I did not hear it.

Mr. McGEER: It is on the record, Mr. Chairman.

The CHAIRMAN: I did not hear it.

Mr. McGEER: It was a statement to the effect that my statements were untruthful.

Mr. MARTIN: And inaccurate.

Mr. McGEER: They may be inaccurate but they are not untruthful. I may be misinformed.

Mr. McPHEE: About 26.8 per cent?

Mr. McGEER: Yes.

Mr. McPHEE: Mr. Finlayson said that the other day, that it was 2 per cent per month, 24 per cent payable monthly or 26.8 per cent per annum.

Mr. MARTIN: That is not what he said.

The CHAIRMAN: Please do not interrupt Mr. McGeer.

Mr. McPHEE: Oh, no. It is just a matter of fair play, that is all.

Mr. McGEER: I ask, Mr. Chairman, that the statement made by the hon. member for Essex East, that my statements were untruthful, be withdrawn.

Mr. MARTIN: Insofar as being deliberately untruthful, I certainly do withdraw that. I did not suggest that. But I repeat again what I said.

Mr. McGEER: My information is that the Bank of Commerce are making this type of loan for 12 per cent or a little better.

The CHAIRMAN: Mr. McGeer, at an early session Mr. Finlayson explained quite extensively the difference between the loaning practice of the Bank of Commerce and the company now under consideration. We have had all that evidence. We have something on it. We say—and I think everybody would say—that we would desire to hear this man if we had time. But inasmuch as it is general knowledge the house intends to rise this week, it seems to me almost impossible to give to the examination the attention it deserves. That is the point I would ask you to consider.

Mr. McGEER: I quite agree that there is some difficulty there. But there is no reason in the world why these bills should not have been introduced at the beginning of the session. And then, Mr. Chairman, why hurry? These companies have been operating under this legislation since 1928. Why the rush? Why must these bills be jammed through without proper investigation?

The CHAIRMAN: I agree with you, if we might just talk the thing over; and it has been my suggestion, now that we have passed clause 1 and we passed clause 2, why not report the bill in its present shape and leave this other matter over? Is that a feasible suggestion?

Mr. MARTIN: No.

The CHAIRMAN: Do you think that is a feasible suggestion?

Mr. McGEER: We have the matter before us and we should have this man here.

The CHAIRMAN: We have to make a report, I am told, by one of the rules here; and it seems to me that we could report the bill as far as we have gone.

Mr. McGEER: Why have we got to report?

The CHAIRMAN: Clause 634 of Beauchesne:

“A Committee is bound by, and is not at liberty to depart from, the order of reference. (B. 469). In the case of a Select Committee upon a bill, the bill committed to it is itself the order of reference to the Committee, who must report it with or without amendment to the House. M. 424.”

Mr. MARTIN: I would object to that. Excuse me, I am not in order.

The CHAIRMAN: I beg your pardon?

Mr. MARTIN: I was going to tell Mr. McGeer, but I am not in order.

Mr. McGEER: What I suggest is this: I do not think there is any matter of greater importance before parliament at this session, because it involves a complete invasion of the whole principle of the Money Lenders Act. This bill goes further—

The CHAIRMAN: You mean clause 3 that we are discussing?

Mr. McGEER: Yes, clause 3 or the whole principle.

The CHAIRMAN: Could we suggest to the company that they withdraw that clause?

Mr. MARTIN: The only difficulty about that, as I see it, is that that would mean that this committee would be reporting to the house that this company be allowed to operate at a rate of $2\frac{1}{2}$ per cent instead of the rate which Mr. Finlayson has been fighting for, the rate of 2 per cent.

Mr. McGEER: That statement is absolutely wrong, unsupported by law.

Mr. MARTIN: Well, that is what you say; because the fact is, they had been carrying on a legal business—

Mr. McGEER: No, that is not true.

The CHAIRMAN: Mr. McGeer—

Mr. MARTIN: According to you it is not true.

Mr. VIEN: Mr. Chairman, a question of order.

The CHAIRMAN: Mr. McGeer, you will withdraw that word "not true"?

Mr. McGEER: About legality?

The CHAIRMAN: That Mr. Martin's word is not true.

Mr. McGEER: That is not true.

Mr. MARTIN: You are giving a legal opinion. I can give my legal opinion, which is just as valuable as yours.

Mr. McGEER: Oh, more valuable.

Mr. MARTIN: No question about that.

Mr. CLEAVER: I have Mr. McGeer's consent to make one little interruption and it is this: There is some difference as to the rate. My distinct recollection is that the evidence is that last year the average rate collected by this company we are discussing, on all its loans, was 2.45 per cent per month.

Mr. CLEAVER: I have Mr. McGeer's consent to make one little interruption, and that is this: there is some contest as to the rate. My distinct recollection of the evidence is that last year the average rate collected by this company we are discussing on all loans was 2.45 per cent per month. The evidence also is that the proposed rate in the bill we are discussing would be reduced to 2 per cent per month, and further that it would mean a saving to the borrowers, had the act been in force last year, of \$140,000 with respect to this one individual company; so that I suggest, Mr. McGeer, that your statement that it is not a reduction is hardly accurate.

Mr. McGEER: As I was saying—

Mr. MARTIN: I do not care whether he withdraws.

Mr. McGEER: The point I raise, although not an easy one to determine, is that there is a great deal of room—

The CHAIRMAN: Do you think we can determine it in this committee at this time?

Mr. McGEER: Yes, if we call the Bank of Commerce witness. You have had witnesses from one side only to date.

The CHAIRMAN: One side only?

Mr. MARTIN: What about your witness?

The CHAIRMAN: You called a witness, Mr. McGeer.

Mr. McGEER: He went very very carefully into the question.

The CHAIRMAN: I doubt that we had witnesses on one side only.

Mr. McGEER: I understand that Mr. Forsyth was examined. I suggested calling him because I was handed a memorandum and I thought anybody who had published a memorandum and who had been before the Senate committee should also be before this committee. Now, I understand that that witness was not a witness bona fide for lower rates of interest at all, but according to the other side was a witness for a higher rate of interest than they are asking for; therefore you could hardly call him a witness on the other side.

The CHAIRMAN: You called him; we did not call him.

Mr. DEACHMAN: He was on your side.

The CHAIRMAN: You called him.

Mr. McGEER: I called him?

The CHAIRMAN: Yes.

Mr. VIEN: He was under oath and had to tell the truth.

Mr. McGEER: As I say, we called the witness, and he turned out to be a witness for my friends.

Mr. VIEN: I suggest, Mr. Chairman, that we are not talking to the question; therefore I think the committee is sufficiently informed. I suggest we put Mr. Stevens' motion.

Mr. JACOBS: Hear, hear.

The CHAIRMAN: If Mr. McGeer will allow it, shall we put the question?

Mr. McGEER: I might just say this: before we rush into a decision on this thing we should at least make a reasonable effort to ascertain whether or not that witness can be called by to-morrow night.

Mr. VIEN: The committee is sufficiently informed.

Mr. McGEER: The witness should be called to appear here on Wednesday morning. Surely that would be time enough to report the bill by Thursday and have it dealt with next Friday.

Mr. JACOBS: Question.

Mr. McGEER: Is there any objection to that as to time?

The CHAIRMAN: I should think so.

Mr. McGEER: Why; what is the objection?

The CHAIRMAN: I doubt if the house will have a chance to consider our report.

Mr. McGEER: Suppose we report this bill to-night, when would it be considered?

The CHAIRMAN: To-morrow night.

Mr. McGEER: They are not going to consider that bill in an hour. They cannot suspend the rules to-morrow night without unanimous consent, and I am sure they will not get that. If there was any attempt to jam this bill through this session we shall be here until the first of July, I venture to say. Don't make any mistake about that. Now, as I say, the time has come, and if we cannot have the type of witness—

Mr. MARTIN: I rise to a point of order.

The CHAIRMAN: What is the point of order?

Mr. MARTIN: There is such a thing as jamming a bill through. There is also such a thing as jamming—or rather preventing the measure being blocked. I was trying to use the word "jamming" somewhere. In any event, my hon.

friend is certainly doing a lot of jamming. I think in fairness to the members of the committee, there is a simple question before us, and that is Mr. Stevens' motion as to whether or not this witness shall be called. Surely, Mr. McGeer—and I address him now not in the name of battle, but in the name of friendship, and we are friends, Mr. Chairman—should let this matter be considered on its merits. If the committee feels at this time it is practical to call this witness, let us say so. If the majority feels that it is not practical, surely we should be allowed to say that. I know Mr. McGeer does not want to detain us unnecessarily.

Mr. McGEER: The chairman has suggested reporting the first two sections.

Mr. VIEN: Let us put the question, Mr. Chairman.

Mr. McGEER: The principle of this act is going to be fully debated in the house in the other bill.

Mr. VIEN: Let us get to that.

Mr. McGEER: This bill increases the capitalization of this company, and you are asking some of us to agree to something which we fear is not a proper thing to do in these circumstances without an investigation. If we agree to report two sections of this bill to get it before the house, then, of course, next session when the matter comes up it can be dealt with.

The CHAIRMAN: What is your pleasure, gentlemen? Are you ready for the question? Mr. Stevens moves "That the manager of the small loans department of the Bank of Commerce be called to give evidence before this committee on the question of small loans, at some time prior to the passing of Bill C by the committee."

I declare the motion lost.

Hn. Mr. STEVENS: I have a further amendment to offer.

Mr. LANDERYOU: I think we should have a recorded vote.

The CHAIRMAN (after a recorded vote was taken): It is defeated.

Hon. Mr. STEVENS: I recognize that there are perhaps fairly strong views held in regard to this substitution, and I do not wish to stir up any ill feeling, but I want to express one or two views that I hold very strongly. My remarks will be very brief, and then I shall make my motion.

The CHAIRMAN: Will you make your motion, and then speak to it. Would that be in order?

Hon. Mr. STEVENS: Quite in order, I think, Mr. Chairman. The amendment is that the bill be further amended by adding thereto as section 4—

Mr. VIEN: I doubt if you are in order by adding section 4.

Hon. Mr. STEVENS: I believe Mr. Vien is right. I had intended to make the first amendment to section 3; but it should be really a new section. I have two amendments to make to the bill by adding two sections.

Mr. VIEN: I have no objection to Mr. Stevens reading his amendments for the record.

The CHAIRMAN: Shall we dispose of the section before you come to that?

Hon. Mr. STEVENS: I presume they are not in order. Mr. Vien has called my attention to the fact.

Mr. VIEN: I have no objection to Mr. Stevens reading the amendments.

Hon. Mr. STEVENS: I shall not do it until the proper order is reached. I must apologize. I did not notice that. I wish to say this in regard to the substitute bill: I am firmly convinced from the evidence and from a study of the 1928 statute that it was never intended by parliament, and I think I have sufficient experience of the way parliament handles matters of this kind to warrant my expressing this opinion, that a 7 per cent rate of interest should in practice be translated into an effective rate of over 14 per cent. I am further convinced

in my own mind that this company has been illegally charging the rate of interest of 7 per cent on loans that are repayable on a monthly instalment basis, resulting in an effective rate of 14 per cent or over.

Mr. DUFFUS: If that be the case the Bank of Commerce in charging a like sum must surely be contravening the Bank Act.

Hon. Mr. STEVENS: No; they are not operating under this charter at all. They are operating under an entirely different law. They do not operate under this law. This is a charter in itself and a law in itself entirely apart from the Bank Act under which the Canadian Bank of Commerce operates.

Sir EUGENE FISET: Is the result the same?

Hon. Mr. STEVENS: No; their powers are derived from a different source.

Mr. VIEN: The result will be the same.

Hon. Mr. STEVENS: I do not want to get drawn into a speculative argument. I am not referring to the Bank of Commerce at all. I am referring to this company and this bill and this company's original charter. I am further of the opinion—and this, of course, must be accepted as an opinion—that this legislation is designed to exculpate the company from its illegal position.

The CHAIRMAN: Mr. Stevens, may I ask Mr. Finlayson to remind you of something that I think you have overlooked.

Mr. FINLAYSON: I should like to draw attention to the fact that the third company, the company that is not before parliament now, the company represented by Mr. Forsyth, recognized the doubt that arose as to the interpretation of this section in question in 1934. They introduced a bill in parliament that year for the purpose of removing that doubt, and making it absolutely clear that the nominal 7 per cent is in effect approximately 14 per cent.

Mr. McGEER: How did they do that?

Mr. FINLAYSON: By changing the wording of the subsection, paragraph I, and parliament passed the amendment without a dissenting voice.

Mr. McGEER: Did parliament know what they were doing.

The CHAIRMAN: Parliament always knows.

Mr. FINLAYSON: It was fully explained in the house. You will recall that Mr. Forsyth in his evidence the other day said that he had got clear of that section in his company's act because he had fixed it up. What he meant was he had come to parliament in 1934 to have that corrected, and that is what the amendment is.

Hon. Mr. STEVENS: What are you reading from?

Mr. FINLAYSON: Chapter 68 of the Statutes of 1934, an Act to incorporate the Discount and Loan Corporation of Canada. If hon. members will follow the wording of the section as it is in this special act on the right-hand page opposite page 1 of the bill, at the bottom of the page, they will see there paragraph B, sub-paragraph I. I will read the corresponding sub-paragraph in the amendment of 1934 to the Discount and Loan Companies Act: "Lend money without security or secured by chattel mortgage, pledge of movable property, subrogation of taxes, assignment in choses-in-action, or otherwise, repayable in weekly, monthly, or other uniform instalments. The company may charge and deduct in advance from the loan by way of interest an amount not exceeding 7 per centum thereof." Now, you will notice the words "7 per cent per annum" are disposed of, and they are authorized to charge an amount not exceeding 7 per centum thereof "if the loan be repayable over a period of one year, or the proportionate part thereof if that period is less than one year."

Now, that was stated at the time to be for the purpose of converting a nominal 7 per cent per annum into approximately 14 per cent.

Mr. McGEER: Just following the wording there, what are those words "Or the proportionate part" if the loan is for less than one year?

Mr. FINLAYSON: That means that if the loan, say, is for ten months then they would deduct an amount equal to five-sixths of 7 per cent of the amount of the loan.

Mr. McGEER: Now, would you rule, as an officer of the Crown, that where a company makes a loan for a year repayable in twelve annual instalments, or twelve monthly instalments, that that is a yearly loan?

Mr. FINLAYSON: No.

Mr. McGEER: That is a six months loan.

Mr. FINLAYSON: This makes it perfectly clear that the loan is not an amount for a full year.

Mr. McGEER: In that they are doing under this very legislation you are reading they are making loans presumably for a year not as words but in actual reality. They are loaning the full value advanced, less the discount for a period of six months, because they withdraw from the borrower by monthly instalments or other instalments a proportion of the money loaned which prevents that from being a yearly loan; and the proper ruling—I would like to have your opinion on that—should be that the amount deductible on a loan made for a full year, payable at the end of a year is one thing; the amount deductible on a loan made for a year repayable in instalments is another thing. And the words "The proportionate amount" come into play there. Now, what these companies have been doing—and it is a form of maybe not fraud, maybe not chicanery, but a form of rather sharp business—

Mr. WALKER: Just a minute—

Mr. McGEER: Surely when I examine a witness I do not have to be interrupted by a parliamentary agent—

The CHAIRMAN: Just a minute, please. I should have ruled that you have not the right to speak because I interrupted Mr. Stevens—Mr. Stevens was speaking and I interrupted him and asked his permission to have Mr. Finlayson read his statement, and Mr. Finlayson has read it, so if anybody is examining the witness it is Mr. Stevens.

Mr. McGEER: If Mr. Stevens had objected I would have given way at once.

The CHAIRMAN: I think Mr. Stevens has the witness, if Mr. Finlayson is a witness.

Mr. FINLAYSON: I am prepared to answer the question.

Mr. McGEER: These companies, apparently knowing that they could not with safety jump the 7 per cent to the 14 per cent, wanted to correct it.

Mr. FINLAYSON: The Discount and Loan Company had it amended in 1934.

Mr. McGEER: I am correct in saying that they did that because they assumed they were on dangerous ground when they were charging 14 per cent by charging the full rate and not giving any allowance for the fact that repayments were made on the basis of instalments.

Mr. FINLAYSON: I think it would be correct to say that the Discount and Loan Company realized there was a doubt and wanted to have it made sure, and parliament had no objection to making it sure.

Mr. McGEER: This company is in the same boat.

Mr. FINLAYSON: The other companies felt quite secure in the wording of their Special acts, and it would appear they have fairly good ground for doing so when two courts take directly opposite views on that question. Now, as to the intention of parliament.

Mr. TUCKER: You say they are perfectly safe in assuming that when one court says they have a right and one says they have not.

Mr. FINLAYSON: I think I said reasonably safe.

Mr. TUCKER: Two courts disagreed.

Mr. FINLAYSON: And the Superior Court rules in favour.

Mr. TUCKER: But they just got that decision in late January of this year.

Mr. FINLAYSON: Quite.

Mr. TUCKER: So they could not be relying on that decision.

Mr. FINLAYSON: They were not relying on any decision; they were relying on their judgment as to that section.

Mr. TUCKER: Your contention is that that section did not change the law at all.

The CHAIRMAN: I must ask if Mr. Stevens wants to continue.

Mr. FINLAYSON: I want to add one point as to what parliament intended to do in 1928 and in subsequent sessions. This point came up at the time every one of these bills was before the committee. I never failed to point out to committees what the effect of that section was as I understood it, and I gave the calculations as to what it meant—practically a 14 per cent rate instead of a 7 per cent rate. Now, I cannot say what parliament intended, but so far as what the committees of parliament intended is concerned there can be no doubt they were fully informed and they have legislated in the light of that information.

Mr. McGEER: Now, I would like—

The CHAIRMAN: Now, Mr. Stevens has the floor, unless he gives way. What is your pleasure, Mr. Stevens?

Mr. McGEER: I have asked Mr. Stevens' permission.

The CHAIRMAN: I have asked Mr. Stevens what is his pleasure.

Hon. Mr. STEVENS: I have no objection to Mr. Finlayson answering.

Mr. McGEER: The question I asked you, Mr. Finlayson, before was: have you a ruling from the Department of Justice on whether or not that jump or that charging of 14 per cent under the basis we have been discussing is legal or not?

Mr. FINLAYSON: No, sir. I never referred that question to the Department of Justice.

Mr. McGEER: It now does appear to be a thing that should have been determined by the Department of Justice.

Mr. FINLAYSON: I might say I have referred it to the Department of Justice since the last meeting of this committee. I understood that was the wish of this committee.

Mr. McGEER: Have you got it?

Mr. FINLAYSON: No.

Mr. McGEER: What I would like to ask you now is this: that question has been the subject of doubt in your mind, has it not?

Mr. FINLAYSON: No.

Mr. McGEER: You decided yourself they had the right to charge the 14 per cent.

Mr. FINLAYSON: I have given you the reason why I think it, because I felt perfectly sure what parliament intended to do, that before every committee of parliament that dealt with these small loan bills the effect of that section, as I understood it, was fully disclosed.

Mr. McGEER: Well, suppose this decision of the Superior Court should be reversed on appeal and the judgment of the lower court sustained by a higher

court, then the fact would be that these companies have been improperly, under the charter, charging more than was allowable by the law; is that not correct?

Mr. FINLAYSON: It would depend on what they would regard, I should say, as a final decision.

Mr. McGEER: I said the final decision.

Mr. FINLAYSON: There are a number of appeals possible. I do not know when they would think the final decision had been reached. I suppose the appeal from the Superior Court in Quebec would be to the Court of King's Bench and then on to the Supreme Court of Canada and to the Privy Council. I do not know how far it would be fought.

Mr. McGEER: Now, in the event of that decision being finally determined that this was not a legal charge, then the company would have been acting beyond the charter and illegally?

Mr. FINLAYSON: I should say that would follow as a matter of course.

Mr. McGEER: You would say that would follow as a matter of course. Now, that is the issue that is in doubt and is now in court, is it not?

Mr. FINLAYSON: How long would it take to determine that question? That is my question.

Mr. McGEER: What I am coming to is this: we at least have this security, have we not, that we have the Department of Justice to give us the benefit of their opinion? That is available to us, is it not?

Mr. FINLAYSON: I hope so.

Mr. McGEER: And it has been asked for?

Mr. FINLAYSON: I submitted the question.

Mr. McGEER: Now, as an officer in charge of this particular work, don't you think we should have in the situation at the moment the opinion of the Department of Justice?

Mr. FINLAYSON: No. I cannot see it would do the slightest good, for this reason, Mr. McGeer, that if the Department of Justice opinion prevails it would mean that these companies would be limited to $1\frac{1}{2}$ per cent or less—possibly less. The figures I have laid before the committee as the result of some four or five years experience indicate that the companies would be making less than nothing at that rate; that is that they would be losing money in the conduct of business. Now, I think you can hardly expect the companies to accept the opinion of the Department of Justice without testing it out. That is, it would have to be tested out in the courts. Now, we know what time it takes to get a decision in the courts; and I should think it would be quite impossible that we could have a final decision on that question for at least a year.

Mr. McGEER: Why do you say that these companies could not make money at that rate?

Mr. FINLAYSON: The figures I have laid before the committee indicate that.

Mr. McGEER: They are the companies' figures. Have they been audited and checked and gone through?

Mr. FINLAYSON: Yes.

Mr. McGEER: For instance, there is a lot of money for supervision and salaries and that kind of thing. Have you got an actual check?

Mr. FINLAYSON: Yes; we examined those figures. We believe those figures are absolutely correct.

Mr. McGEER: There are no bad debts. Did you ever see a company that did more business with less bad debt loss than these companies?

Mr. FINLAYSON: I have no experience with other small loan companies than these companies.

Mr. McGEER: With any company. Do you notice the amount, the infinitesimal amount that is lost in bad debts? Does that not surprise you?

Mr. FINLAYSON: Yes, it does.

Mr. McGEER: And does it not indicate to you that the loans these people are making are not bad loans or dangerous loans but are loans that are made to people who can repay—

Mr. FINLAYSON: It all depends on this—

Mr. McGEER: —and do repay.

Mr. FINLAYSON: —whether they have reached the ultimate rate of loss. There are indications that they have not, and that the rate of loss will continue to increase.

Mr. McGEER: Your fear is that if we do not allow this company to carry on with the rates that it is charging, whether they legal or not, the result will be that the company might have to go out of business; is that right?

Mr. FINLAYSON: No. I say that the company would have to go out of business on the basis of these figures if they were to be limited to a rate of $1\frac{1}{2}$ per cent. Now, that can only be determined, as I see it, by the courts which will take a year. In the meantime this company is going to continue to charge $2\frac{1}{2}$ per cent. I do not think you can expect them to do otherwise.

Mr. McGEER: Supposing you got a ruling from the Department of Justice that they had not the legal right to make that charge, what would you do about it?

Mr. FINLAYSON: We would communicate that opinion to the companies; but there is nothing to compel them to accept it.

Mr. McGEER: But would you not move?

Mr. FINLAYSON: In what way?

Mr. McGEER: Under the legislation.

Mr. FINLAYSON: Would we take them into the courts?

Mr. McGEER: No. Would you move to cancel their licence? You can do that.

Mr. FINLAYSON: That would mean they would go out of business?

Mr. McGEER: Absolutely.

Mr. FINLAYSON: And the borrowers would go where?

Mr. McGEER: I think that you would indicate that they would have to go and apply under the Money Lenders Act, and you are not enforcing it.

Mr. FINLAYSON: I would like to be shown how it can be done at present.

Mr. McGEER: There is no difficulty in enforcing any act in Canada if you want to go and really do it.

Mr. FINLAYSON: The Money Lenders Act controls interest as such; other charges remain within the jurisdiction of the provincial legislatures.

Mr. McGEER: And do you suggest that you cannot get the provinces to co-operate with you?

Mr. FINLAYSON: I think some of them might, and some might not.

Mr. McGEER: As a matter of fact, the Province of British Columbia is; but, in any event, are we going to legalize a fraud simply because the provincial government won't act.

Mr. MARTIN: Mr. Chairman, I rise to a point of order: Surely no one is going to be permitted to make a statement of that kind, that there is any

suggestion of fraud. There is no evidence that this constitutes; Mr. McGeer did not intend it so; that is should be called fraud.

Mr. McGEER: No, No; what I say is this, if it should be ruled by the Department of Justice that it is not within the provisions of the Act—and we were discussing that hypothesis—

Mr. WALKER: That would not make it fraud.

Mr. McGEER: That would make it fraud as far as this company was concerned, as far as this department was concerned, until the courts ruled otherwise; because I do not think that these companies can charge that rate under this law. Now, with this inspector, this superintendent of this particular department is telling us is that it is not a question as to whether it is right or wrong, but that it must be allowed because otherwise the companies would not make money and could not continue in business. Now, that to me is a preposterous statement. It is a preposterous statement and I want it reported.

The CHAIRMAN: It is reported; and I think Mr. Stevens has the floor.

Mr. JACOBS: Why are you so anxious to have Mr. Stevens examine the witness?

The CHAIRMAN: Let me be very frank; I interrupted Mr. Stevens to ask for a statement on the part of Mr. Finlayson, and it is hardly fair not to return the floor to Mr. Stevens, at the earliest opportunity.

Hon. Mr. STEVENS: Well, Mr. Chairman, with very great respect, I cannot see that Mr. Finlayson's interruption bore on the point I was making at all; what Mr. Finlayson did was to interject the fact that in 1934 parliament recognized the error of some of the other companies, and he suggests that because parliament did that in 1934, that therefore parliament now should do it again. Another thing, Mr. Chairman, is this; we are told, well there is a statute now, you have got to read the statute. There is no use putting this, that or the other construction on it, you have got to take the statute. When we do take the statute Mr. Finlayson gets up—and by what authority he does it I don't know—and he says, I know—who knows? In all this confusion in this, that and the other years gone by; and so and so, and so and so. Mr. Finlayson does nothing to indicate again—

Mr. FINLAYSON: Mr. Stevens, just a minute please.

The CHAIRMAN: Just a minute.

Hon. Mr. STEVENS: Just a minute now, I want to finish this.

Mr. FINLAYSON: The only word I said was that I had laid that thing before the committees of parliament.

Hon. Mr. STEVENS: That is not what you said at all, and the record will bear it out; I was particularly offended with the statement. I say Mr. Finlayson has a perfect right as representative of insurance—and I have listened to him for twenty-five years and appreciated it—to come here and give us his views.

The CHAIRMAN: Order, order please.

Hon. Mr. STEVENS: All right, but he has no right to come here—

Mr. BAKER: Oh, that is unreasonable.

Hon. Mr. STEVENS: I say that Mr. Finlayson has no right to say that he knows any of it. By saying that he knows, or that he is convinced, or that he understood a certain thing in a certain way was done to bring this company in line with Discount & Loan; that is another Act altogether. We are talking about this Act, and as far as I am concerned I am proposing to stick to this Act which we have before us and not to wander off into the realm of other legislation. Now, this Act says; "And may charge" (I am reading from section 2 of chapter

94 of the statutes of 1929, and in respect to the Central Finance Corporation, which is the sole authority that this company has to operate as it is at the present time) "may charge interest thereon at a rate of not more than 7 per cent per annum and may deduct such interest in advance and provide for repayment in weekly, monthly and other uniform payments"; but the point is, "they may charge interest thereon at the rate of not more than 7 per cent per annum". Now, my argument is this; that this company recognized that in charging an effective rate of 14 per cent it is doing so in violation of its charter; and Mr. Finlayson a moment ago indicated that the Discount & Loan Company recognized that it was not strictly within its charter and was taking its Act to parliament so that it might be regularized. Well, because parliament regularized that charter in 1934 is no reason why we should regularize this one.

Mr. McGEER: That is probably why there is a new parliament here.

Hon. Mr. STEVENS: I point this out, Mr. Chairman; that all through the years it has been the general understanding that these companies that were lifted up under the control of the Money Lenders Act, which limits the maximum rate to 12 per cent, and were allowed to charge these special charges, and so forth; and to do a monthly payment business; that it was intended that the 7 per cent rate of interest should be the effective annual rate of interest. And for these reasons I argue, and I think there is very sound ground for argument, that the bill we are now passing does two things; first, it legalizes the position of the company; secondly it places upon the public of Canada, imposes upon the public of Canada, parliamentary sanction of a 24 per cent rate which the Parliament of Canada has not up to the present seen fit to endorse; and it is to that evil principle that I am opposed. Mr. Chairman, I cannot understand why parliament will tolerate it, to actually sanction the proposal of a 24 per cent rate when all that it is entitled to charge under the old form of the Act is 7 per cent plus certain charges, which bring it up to what the company claim is an effective rate of interest of 14 per cent. In my opinion it is infinitely worse to sanction a fixed rate of 24 per cent, or what amounts to an effective rate of over 26 per cent per annum. Now, that is the reason I am going to oppose the adoption of this clause 3 and oppose it very strenuously.

Mr. McGEER: Mr. Finlayson, might I ask you about a question Mr. Baker raised. The question was about the 2 per cent rate per month, and I think you said it worked out to an effective rate of 26.8 per cent per annum. There seems to be some dispute about that.

Mr. FINLAYSON: I think I explained that at one of the previous meetings of the committee; 2 per cent per month is two times twelve, which would be 24 per cent per annum, payable monthly.

Hon. Mr. STEVENS: On the nominal amount of cash remaining.

Mr. FINLAYSON: Regardless of the amount it is 24 per cent payable monthly. Now, anyone would prefer to have their interest received monthly instead of at the end of the year, because the monthly instalments of interest can be re-invested and in turn earn interest; so that if you were to accumulate these monthly instalments of interest you will have at the end of the year the equivalent of 26.8 per cent.

Mr. McGEER: I would like to get the extent of the potential earnings. Will you give me the data on a four hundred and twenty dollar loan and show me how that 2 per cent per month is going to be made up.

Mr. FINLAYSON: In this bill if adopted?

Mr. McGEER: In this bill; I mean, take a \$420.00 loan.

Mr. FINLAYSON: On \$420.00 there would be 2 per cent accruing as interest and payable at the end of the first month.

Mr. McGEER: What is that?

Mr. FINLAYSON: That would be \$8.40; there would be repayable at the end of the month on principal \$35.00.

Mr. McGEER: How much is the first payment of interest?

Mr. FINLAYSON: \$8.40.

Mr. McGEER: That is deducted on the first month? That is deducted before payment is made.

Mr. FINLAYSON: No, no; that is payable at the end of the first month. If the loan is repayable over the year in monthly instalments it would call for \$35.00 per month principal repayments. The first \$35.00 would be repaid on principal at the end of the first month, leaving the amount to bear interest for the second month, \$385.00; 2 per cent on that amount would accrue during the second month, making the interest payable at the end of the second month \$7.70. There would then be another \$35.00 paid on principal, leaving the balance for the third month, \$350.00; 2 per cent on that would be \$7.00.

Mr. McGEER: I know, what I want to get at is at the end of this liquidation how much has he paid in interest?

Mr. FINLAYSON: I should say it would be \$66.

Mr. McGEER: Is that right, Mr. Walker, do you know?

Mr. WALKER: I haven't got that right here; but for a loan of \$400 my figures show that it would be \$51.68; for a loan of \$450 it would be \$58.14. I think the amount Mr. McGeer mentioned was \$420, and it would be in between those two.

Mr. McGEER: You do not make any charges for services or registration fees or anything of that kind?

Mr. WALKER: The bill makes it clear that we cannot.

Mr. FINLAYSON: I would correct that; that should be \$54.60 instead of \$66.60.

Mr. McGEER: \$54.60 is what he pays on \$420 under the amended bill.

Mr. FINLAYSON: That would be the total amount of interest received over the year.

Mr. McGEER: How much does he pay on the loan under the bill as it is not amended on \$420?

Mr. FINLAYSON: I think that would be \$47.80 as I compute it.

Mr. McGEER: There would be 7 per cent on \$420; how much would that work out at?

Mr. FINLAYSON: There would be 7 per cent, plus the 2 per cent for expenses, and then there would be the chattel mortgage fee.

Mr. McGEER: But, the interest; how much is it at 7 per cent?

Mr. FINLAYSON: \$29.40.

Mr. McGEER: \$29.40?

Mr. FINLAYSON: Yes.

Mr. McGEER: That is what they charge for interest?

Mr. FINLAYSON: Right. And they deduct that. You understand that they deduct that in advance?

Mr. McGEER: Yes, they deduct that in advance.

Mr. FINLAYSON: Yes.

Mr. McGEER: But that is all they get for interest?

Mr. FINLAYSON: Right.

Mr. McGEER: Whether they deduct in advance or what they do?

Mr. FINLAYSON: Right.

Mr. McGEER: They can make 2 per cent for charges?

Mr. FINLAYSON: Right.

Mr. McGEER: How much does that amount to?

Mr. FINLAYSON: \$8.40.

Mr. McGEER: So that makes a total of thirty-seven dollars and—

Mr. FINLAYSON: Eighty cents.

Mr. McGEER: \$37.80.

Mr. FINLAYSON: Yes.

Mr. McGEER: Are there any other charges?

Mr. FINLAYSON: A chattel mortgage fee.

Mr. McGEER: Of how much?

Mr. FINLAYSON: \$10, the maximum charge.

Mr. McGEER: That is if there is a chattel mortgage.

Mr. FINLAYSON: Yes.

Mr. McGEER: But not if there is not?

Hon. Mr. LAWSON: This company does only that business.

Mr. FINLAYSON: This company loans only on chattel mortgages.

Mr. McGEER: Yes?

Mr. FINLAYSON: That would be a total of \$47.

Mr. McGEER: Are there any other charges?

Mr. FINLAYSON: Not that I know of. If they register the mortgage, there would be the registration fee.

Hon. Mr. LAWSON: Fifty cents.

Mr. McGEER: Just a minute.

Mr. TUCKER: The registration fee is fifty cents?

Mr. FINLAYSON: I do not know.

Hon. Mr. LAWSON: The registration fee is fifty cents in Ontario.

Mr. LANDERYOU: Is this the act or the bill that is before us now?

Mr. McGEER: On that loan of \$420, the maximum the company can get under the present law is—

Mr. TUCKER: Their interpretation of the present law.

Mr. McGEER: No. The maximum they can get under the present law as they are operating is \$48.30; is that right?

Mr. FINLAYSON: Yes. I think ordinarily this company very seldom registers. I think it would be very likely \$47.80.

Mr. McGEER: \$47.80 or \$37.80?

Mr. MCPHEE: Does that include the 2 per cent besides?

Mr. FINLAYSON: \$47.80 is the total.

Mr. McGEER: That is charging the full \$10 fee for the chattel mortgage and the full 2 per cent.

Mr. FINLAYSON: Quite.

Mr. McGEER: Whether the charges are bona fide or necessary or not?

Mr. FINLAYSON: That is right.

Mr. McGEER: That is correct. So the maximum they can get there is \$48; but the maximum they get under the amendment—

The CHAIRMAN: Mr. McGeer, do you mind an interruption by Mr. Walker?

Mr. McGEER: No, I do not want an interruption now because I want to get it plain.

Mr. WALKER: I would like to explain.

Mr. MARTIN: I would like to get the facts.

Mr. WALKER: I would like Mr. Finlayson to be given a little more time on that calculation because I think he is wrong.

Mr. FINLAYSON: Perhaps I am. I certainly think I am figuring hurriedly. I think you should get that from the company.

Mr. McGEER: I will be very glad to give you time.

Mr. FINLAYSON: I think you should get this from Mr. Reid. I think that is only fair to the company.

Mr. McGEER: It ought to have been supplied by the company weeks ago.

Mr. MARTIN: It was, but you were not here; and there is only one bright man on the committee here.

The CHAIRMAN: Mr. McGeer, suppose you direct your questions at the company for awhile. The company is ready to give you that information.

Mr. WALKER: I do not know what the question is asked for, but I have a statement here which Mr. Reid has prepared, and I do think it is accurate. He has in two columns the breakdowns for the \$50 brackets.

Mr. McGEER: I was not asking that at all. What I was asking for was \$420.

Mr. WALKER: I think I can give you something helpful here, Mr. Chairman.

Mr. McGEER: All right.

Mr. WALKER: I cannot give you the exact loan, for the reason I explained a few minutes ago. I can give the figures, if Mr. McGeer wants them, for a \$400 loan and a \$450 loan. That is fairly close to the figure he wants, or apparently he does not want it. Do you wish it, Mr. Chairman?

The CHAIRMAN: I am satisfied, but Mr. McGeer was not.

Mr. MARTIN: I think in order to save time that Mr. Walker should follow this through.

Mr. WALKER: The figures, Mr. Chairman, according to the statement prepared by my client for a \$400 loan, with the 2 per cent rate, is \$51.68; under the present act, \$50.55.

Mr. McGEER: What is that last figure?

Mr. WALKER: \$50.55.

Mr. McGEER: What is that?

Hon. Mr. LAWSON: \$400.

Mr. McGEER: Not \$420.

Mr. WALKER: And for the \$450—

Mr. McGEER: Before we go on from the \$400 loan, will you give us the details of how that is made up? Here is Mr. Reid now. He can perhaps tell us.

The CHAIRMAN: Mr. Reid, I think they want to ask you some questions.

Mr. LANDERYOU: We want to break down the rates.

Mr. VIEN: I would suggest that the member put his question now that Mr. Reid is here.

Mr. FINLAYSON: Yes, put your question.

Mr. McGEER: You found those figures correct, I understand, Mr. Finlayson?

Mr. FINLAYSON: If I understand the company's practice aright, I think my figures are right. But I would ask you to hear Mr. Reid's details.

Mr. LANDERYOU: He wanted to know the rates.

Mr. VIEN: What is the question, Mr. Chairman?

Mr. McGEER: I did not understand it was the company's practice; I thought it was the company's act we were dealing with.

Mr. FINLAYSON: Yes, the company's act.

Mr. McGEER: The company's interpretation of the act.

Mr. WALKER: The company does not charge what it interprets its maximum to be. It charges less than its interpretation of its maximum.

Hon. Mr. LAWSON: Mr. McGeer's question is if this company charged under the present act the full amount of the money which it alleges it is entitled to charge, how much would be the total charges on a loan of \$420?

Mr. McGEER: Yes.

Hon. Mr. LAWSON: You said you could supply the information on \$400 and \$450.

Mr. WALKER: Yes.

Hon. Mr. LAWSON: Mr. McGeer asked in contrast with that what would be the maximum you would be allowed to charge in this bill which is before the house as distinguished from the act. Is that not the point, Mr. McGeer?

Mr. McGEER: Yes, I want to know the details.

The CHAIRMAN: Mr. Reid is prepared to answer your question, Mr. McGeer. Suppose you state it to him.

Mr. REID: On a loan of \$420, payable at \$35 a month for twelve months, we would be entitled to deduct nine per cent of \$420; that would be \$37.80, plus \$10, which would be \$47.80.

Mr. McGEER: Under the new act, how much would you get?

Hon. Mr. LAWSON: He has got to add charges on to that.

Mr. FINLAYSON: No, that is all.

Mr. McGEER: That is the roof.

Hon. Mr. LAWSON: No, it is not the roof.

Mr. McGEER: Yes, it is.

Mr. TUCKER: Nine per cent, not seven.

Hon. Mr. LAWSON: The old roof is 7 plus 2 plus moneys charged.

Mr. REID: That \$420 is the face of the amount of the loan less discount. The borrower does not get \$420 cash.

Mr. McGEER: I am not talking about what the borrower gets. I am talking about what you fellows get.

Mr. REID: It is very important to remember that in comparing the two rates.

Mr. WALKER: Mr. Chairman, I must insist on that comparison being made, because otherwise it would be entirely out of focus; if in one case you compare a \$400 loan on the new plan which is charged in the nature of interest, with a \$400 face amount with all charges deducted so that the borrower does not get \$400, you obviously have an entirely fallacious comparison.

Mr. FINLAYSON: Quite. I took it for granted that Mr. McGeer was aware of that.

Mr. McGEER: Of course.

Mr. FINLAYSON: Under the present practice, the borrower does not get \$420; so that if you want to compare the two you must get a loan which would yield the borrower under the present system \$420. As I see it, that would require a loan of about \$472.

Mr. McGEER: The simple fact is that in this amendment anybody that goes in there to get \$420—and apparently those borrowers that this company deals with are very indifferent as to just how much they get out of the \$420.

Mr. WALKER: There is no evidence of that, Mr. Chairman—not a scrap. There has been detailed evidence as to what borrowers borrow and how much and the break-down of that. I think, even if I am only parliamentary counsel, that my client is at least entitled to have the evidence adhere to.

Mr. McGEER: We would like to get the facts.

Mr. WALKER: Perhaps if you had been here oftener, you might have heard some.

Hon. Mr. STEVENS: On that point—and it was raised last week—I think for the sake of accuracy it must be pointed out that we have not had yet before the committee—although it has been asked for; I asked Mr. Reid to bring it over—the actual loans, examples or samples of actual loans, which is a very common practice with parliamentary committees. Mr. Walker may not be aware of that practice, but that is so. We are usually given by the companies under examination actual illustrations of how they make loans, which we have not had in this case.

Mr. REID: May I say something there?

The CHAIRMAN: Yes.

Mr. REID: Mr. McGeer asked this same question at the last meeting. We showed Mr. McGeer this statement, showed him it was available and agreed to call at his office and give him any further particulars he wanted, if he would let us know. He has not done so yet. I am very pleased to file this, and have it put on record. Here are examples of various sized loans.

Mr. TUCKER: It is not an actual loan.

Mr. MARTIN: You have not seen this.

The CHAIRMAN: Have you seen this, Mr. Stevens?

Hon. Mr. STEVENS: No.

The CHAIRMAN: Would you like to?

Hon. Mr. STEVENS: Yes. This is the first time I have seen it. I do not know what it is.

The CHAIRMAN: Let Mr. Donnelly speak.

Mr. McGEER: Mr. Chairman, I rise to a point of order.

Mr. DONNELLY: This man is taking up the time of this committee, and I have been in here every day for the last three weeks, and I should have the privilege—

Mr. McGEER: I rise to a point of order.

Mr. DONNELLY: I ought to have the chance to speak for ten minutes.

The CHAIRMAN: Please, gentlemen. I did not get you, Mr. McGeer. I did get this gentleman. Let him speak.

Mr. McGEER: I can rise to a point of privilege at any time, and I have raised a point of privilege.

The CHAIRMAN: Mr. McGeer, I appeal to you.

Mr. DONNELLY: We have had the rates of interest if a man borrowed \$420. I want Mr. Reid to give us if he borrowed \$100 or \$120. I want to know what rate of interest that is, with the present method, and what it may be under the new method. Take \$120, so that the payment is \$10 a month, so that we can compare not only the higher amounts that are borrowed like \$420, but we can also compare the smaller loans like \$120.

Mr. REID: I am sure you will appreciate that it is pretty difficult to have comparative figures for loans of every particular size—\$100, \$110 and \$200 and

\$220 and so on—because naturally I cannot anticipate what questions you are going to ask me. I have here prepared a table which I think will provide reasonable comparisons. In this particular table I have a loan of \$500, and I have a schedule broken down in jumps of \$50—\$50, \$100, \$150, and so on up to \$500 in comparative rates.

Mr. DONNELLY: Give me \$100.

Mr. REID: A \$100 loan, the present cost—I am stating now a \$100 cash—\$100 cash to the borrower, not \$100 discounted; on a note that will yield to the borrower \$100 in cash, it will cost the borrower in dollars and cents, under our present set up, \$15.85. Under the new 2 per cent rate the borrower would get that loan for \$12.68. He would save himself \$3.17.

Mr. DONNELLY: What is it now on \$400?

Mr. REID: On a \$400 loan, the present cost to the borrower would be \$50.55.

Mr. QUELCH: What?

Mr. REID: \$50.55. The new cost to the borrower at the 2 per cent flat rate would be \$51.68. The new rate on that particular loan would cost the borrower \$1.13 more. But as we pointed out the other day, only a very small percentage of these loans are in the brackets above \$300.

Mr. QUELCH: That is the maximum rate you can charge?

Mr. REID: Just a minute. The majority of our borrowers would save money, because the majority of them are those who borrow the smaller amounts; and the effect would be to reduce the gross of last year from 2.45 a month to something less than 2 per cent, because the maximum we could collect would be 2 per cent per month interest, and you cannot collect 100 per cent interest. It is utterly impossible. The best we could hope to collect would be perhaps 95 per cent, which would make our maximum rate somewhere around 1.90 per cent—1.9 per cent instead of 2.45. Mr. Cleaver was perfectly right when he said there would be a reduction from something in the neighbourhood of 2.45 per cent to something less than 2 per cent; and on the basis of last year's operations the savings to the borrower in dollars would be between \$138,000 and \$140,000.

Mr. QUELCH: You are giving the maximum charge. What is the actual premium that you charge on the \$420 loans at the present time?

Mr. MARTIN: He just gave the figures.

Mr. REID: I have given away my card.

Mr. VIEN: Mr. Quelch has put a question.

Mr. REID: I do not carry all these things in my mind, you know. May I have the question again, please?

Mr. VIEN: What would be the comparison of your \$420 loans under the two systems?

Mr. REID: We do not make loans for \$420. For purposes of book-keeping we set them up in multiples of twelve, because it is a twelve-month plan; \$420 is not a figure we use. We jump from \$396 to \$456 with a monthly payment of \$33 or \$38 a month. The lowest loan starts at \$5 a month up. On that \$456 loan the charge to the borrower is \$3 less than we would be legally entitled to. For that particular loan we charge \$48.04 where we would be entitled to charge \$51.04.

Mr. QUELCH: What would that be under the new rate?

Mr. REID: As I explained, Mr. Quelch, I have not each one of those figured out in actual dollars under the new rate, but the same thing would apply. I have told you what the \$400 would be. I think that comparison is sufficient, is

it not? I can work the other out for you, but I do not see the point, unless there is some particular reason you have in mind.

Mr. FINLAYSON: May I ask Mr. Reid to give his computation of the amount of interest that will be received under the new plan on a \$420 loan? Can you just check that? I think that should be \$54.60 instead of \$56.60, but I want Mr. Reid to check it.

Mr. McGEER: The reason that I took the \$420 is \$420 is the amount of the loan in the case where a final decision was secured.

Mr. REID: Yes, \$54.60.

Mr. FINLAYSON: Mr. Chairman, might I give Mr. McGeer these figures now so that they will be on the basis that he originally proposed?

Hon. Mr. LAWSON: On the \$420?

Mr. FINLAYSON: \$420 net to the borrower in both cases. Now, in order that the borrower may get \$420 under the present system he would have to get a loan of \$472.53. The charges on that loan would be \$52.53.

Mr. McGEER: Under what act?

Mr. FINLAYSON: Under the present act, the act in effect now. Deducting \$52.53 from the amount of the loan there would be left \$420.

Mr. McGEER: Mr. Finlayson—

Mr. FINLAYSON: May I just complete my statement?

The CHAIRMAN: Will you let him complete his statement?

Mr. FINLAYSON: Then it will be on the record. Under the new system a loan of \$420 to the borrower would call for interest over the year of \$54.60. Mr. Reid and I agreed on these figures.

Hon. Mr. STEVENS: Are you sure you are making the comparison correctly? Is that last one \$420 gross or net?

Mr. FINLAYSON: \$420 to the borrower in both cases; the amount the borrower receives in both cases.

Mr. McGEER: The amount the borrower receives for one month. He only gets \$420 for one month. Then he comes back. You do not mean to suggest that a loan for \$478 is to be compared with a loan of \$420?

Mr. FINLAYSON: It is the same in the net advance to the borrower.

Mr. McGEER: What we are discussing—

Mr. FINLAYSON: That is all the borrower is concerned with.

Mr. McGEER: There are two angles to the thing. There is the net to the company, and the point that I was examining you on was not the net to the borrower, which is another thing, but the net to the company. Under this system the company gets a substantial increase on the \$420 loan under the amendment.

Hon. Mr. LAWSON: \$2.07.

Mr. FINLAYSON: \$2.07. In the one case the company gets gross from the borrower \$472.53; that is under the present system. Under the new system the company would get gross from the borrower \$474.60.

Mr. McGEER: An increase.

Mr. REID: There is another thing to consider there, too, Mr. McGeer. Under the present plan we get \$52.53 in hand when we make the loan, discount; no risk on that. Under the new plan we only get a certain amount of interest each month, if we get it at all.

Mr. McGEER: Mr. Reid, according to your balance sheet I think your percentage of bad debts over a period of years was less than one per cent.

Mr. REID: That is a compliment to our efficiency, sir.

Mr. McGEER: As far as your balance sheets are concerned there is no element of bad debts.

Mr. REID: Plenty element of risk.

Mr. McGEER: Where a company is efficiently administered there is no real element of bad debts because I think your percentage of bad debts would be much less than any mercantile company.

Mr. REID: I gave plenty of evidence on that point. There is another point. This business is all new. It has never gone through a panic or depression. We do not know what our losses would be. A proper study of the evidence I gave, Mr. McGeer, will change your mind on that completely, I am sure.

Mr. TUCKER: Just to have the record plain, in accordance with the suggestions made by several people, if this company were restricted to 7 per cent per annum, instead of being able to charge \$52.53, their charge would be roughly \$35.98. That is right, is it not?

Mr. FINLAYSON: I cannot confirm those figures.

Mr. TUCKER: Half the interest to be deducted. Half of \$33.07, which is interest, would be \$16.53.

Mr. WALKER: The answer is we would not be in business.

Mr. TUCKER: Just a minute; let us get this right for once.

Mr. FINLAYSON: Are you putting a case where they would get 7 per cent per annum on the average amount of the loan outstanding for the full year?

Mr. TUCKER: I am simply taking a loan of \$472.53. You said that the charges they would deduct under the present act would be \$52.53. I am asking you, Mr. Finlayson, if the present act is interpreted so that not more than 7 per cent per annum means what it says, the amount that they can charge would be \$35.96 instead of \$52.51.

Mr. FINLAYSON: It would depend to a certain extent on the way in which the loan was repaid. You are assuming it would be monthly?

Mr. TUCKER: Monthly, the same as you figure the rest.

Mr. FINLAYSON: Well, I cannot nearly confirm your figures, Mr. Tucker. I do not know how you arrive at yours.

Mr. TUCKER: Your figure of \$33.07 roughly for interest is based upon the 14 per cent effective rate.

Mr. FINLAYSON: Your amount is \$33?

Mr. TUCKER: \$33.07 roughly, within a per cent or so.

Mr. FINLAYSON: Yes?

Mr. TUCKER: I just simply cut that in half and that reduces it by \$16.53.

Mr. FINLAYSON: And making the amount payable—

Mr. TUCKER: \$35.98.

Mr. FINLAYSON: If the figure was \$36—

Mr. TUCKER: \$35.98.

Mr. FINLAYSON: I make it \$37.36, Mr. Tucker. You ought to get Mr. Reid's confirmation.

Mr. TUCKER: I prefer your figures, Mr. Finlayson, in order to complete your evidence. Making up the \$52.51 you take roughly \$33.07 for interest, do you?

Mr. FINLAYSON: Yes.

Mr. TUCKER: \$9.44 discount.

Mr. FINLAYSON: \$33.09.

Mr. TUCKER: I have \$33.07; you have \$33.09.

Mr. FINLAYSON: Yes; \$9.40

Mr. TUCKER: \$9.44, and \$10 mortgage fee.

Mr. FINLAYSON: Yes.

Mr. TUCKER: That is \$52.53.

Mr. FINLAYSON: Yes.

Mr. TUCKER: Now, then, if they are restricted to 7 per cent per annum the interest item would be roughly cut in half. That would be \$16.54, would it not?

Mr. FINLAYSON: Yes.

Mr. TUCKER: Off that.

Mr. FINLAYSON: Yes. You are assuming there, Mr. Tucker, two slightly different modes of repayment. Under the present system the company's loans are repayable in equal monthly instalments, including principal and interest. That is amortization repayment. Under the system that you have put to me now, \$472.53 is considered as being repayable in effual monthly instalments of principal and this slightly affects the computation.

Mr. TUCKER: Well, I want to get it within a cent or so. Then you have given us, Mr. Finlayson, the cost of a loan of \$472.53 and you say that the charges on that under the present act could amount to \$52.53 reducing the amount that the borrower would get to \$420.

Mr. FINLAYSON: Yes.

Mr. TUCKER: That means that the amount that the borrower would pay to get \$420 under the present act would be \$52.53. Then you said under the proposed amendment they would get \$54.60. Suppose our interpretation of the law is correct that the 7 per cent interest per annum means what it says, 7 per cent and not 14 per cent, the amount that they get on that interpretation of the law would be roughly \$35.98.

Mr. FINLAYSON: I would say that is approximately correct; but I think you should get Mr. Reid's confirmation of that.

Mr. TUCKER: So if that interpretation of the law is correct, we are authorizing them to raise the charges from \$35.98 to \$54.60.

Mr. FINLAYSON: If that interpretation is correct.

Mr. TUCKER: And if your interpretation — I should not say your interpretation — but if the company's interpretation is correct we are raising them from \$52.53 to \$54.60.

Mr. FINLAYSON: Only for a loan of that size, and loans of that size are a very small proportion of the total loans made by the company. The average loan of this company, I think, is \$169.

Mr. TUCKER: And assuming, Mr. Finlayson, a case where they extended their activities into the province of Quebec those rates would be, on our suggested interpretation of the law, \$25.98. Under the present act they would be \$42.53, and under the proposed amendment they would be \$54.60.

Mr. FINLAYSON: I cannot confirm that.

Mr. TUCKER: We have added \$10 in each case. And if this company extended its activities to the province of Quebec most of its business would be done on an endorsed basis.

Mr. REID: I object to that. There is no indication of that.

Mr. TUCKER: We are dealing with the powers we are giving them. They are asking for Dominion-wide powers.

Mr. REID: No.

Mr. TUCKER: And they cannot come now and ask us to pass a bill on their statement that they do not intend to do that now. They could change their minds every week.

Mr. MARTIN: We have to take their word.

Mr. TUCKER: They may change their mind immediately.

Hon. Mr. STEVENS: That is their privilege.

Mr. TUCKER: It comes to this, that if we pass this bill we are permitting them, on their own interpretation of the law, to raise their rates from \$42.50 to \$54.60, and on our interpretation from \$25.98. Now, those figures are approximately correct, are they not, Mr. Finlayson? I am asking Mr. Finlayson.

Mr. FINLAYSON: On a loan of \$420, I think they are approximately correct, assuming they ever do business in the province of Quebec.

Mr. TUCKER: Which we are giving them the right to do.

Mr. REID: We now have the right to do business in the province of Quebec.

Mr. TUCKER: Yes, but you have only the right to charge \$25.98 and not \$54.60.

Mr. REID: I ask you why we have not done business in the province of Quebec?

Mr. TUCKER: Competition.

Mr. REID: No, not at all. There is only one company operating in this manner that is doing business in the province of Quebec. They have capital. We have not gone there to do business, but it is not because the Bank of Commerce is there. They have been there only a few months. It is suggested that we intend to make endorser loans. That is not the case. Last year we made one loan of \$60 on an endorser plan. We were not asking for new privileges when we discussed endorser loans; we simply asked to retain our rights. Have we ever tried to make endorser loans? We will not change our policy. Our business is built up.

The CHAIRMAN: Order, gentlemen.

Mr. TUCKER: I want to ask him about his present intentions.

The CHAIRMAN: Wait until he gets through.

Mr. REID: There was a time when this company did make endorser loans. They have gone out of that business. They have no intention of trying to go back into it. I have already explained that while there is some slight increase on a few of these larger loans, statistics have borne out, Mr. Chairman, that last year out of 37,000 loans only 1,400 of those loans were for amounts in excess of \$400, and only 14 per cent I think it was, of the number of loans made exceeded \$300. 86 per cent of our loans were for these smaller borrowers, and they are the ones who are going to save money on this plan, and the relatively few people who, perhaps, require larger loans pay a little bit more, and that is predicated on the thought that we will collect the full 2 per cent interest. I explained we do not do so; but assuming we do, then there is only a difference of \$2 out of these figures, and on this \$420 loan the bulk of the borrowers are going to save—the borrowers as a class are going to save.

Mr. TUCKER: Your company is owned and controlled entirely in the United States, is it not?

Mr. REID: This company is a wholly owned subsidiary of the Household Finance Corporation except for the qualified shares of the directors, three of whom are resident in Canada.

Mr. TUCKER: And they could wire you tomorrow to change your policy and loan on endorsement?

Mr. REID: No, they will not.

Mr. TUCKER: How do you know?

Mr. REID: Because I know the policy of the company. I know what it has been for sixty years.

Mr. TUCKER: They could do it.

Mr. REID: Yes. They could tell me to go to the moon, but they will not do that. Last year this company's business amounted to \$100,000,000 on this plan. The business has been built up on that plan.

Mr. TUCKER: Suppose the province of Ontario at the next meeting of its legislature exempted all household furniture from chattel mortgages so you could not take security on people's furniture, would you go out of business?

Mr. REID: That is a hypothetical question. I have no intention of answering it.

Mr. TUCKER: I am bringing out the fact that the policy may change overnight.

Mr. LANDERYOU: In regard to the granting of loans in the province of Quebec you said it would not be a matter of competition.

Mr. REID: Oh, no, I did not. I said competition was not the reason why we have kept out of there.

Mr. LANDERYOU: It was not the reason? I feel that it would be if the rate were reduced.

Mr. REID: I want to tell you why we have not been there. We cannot make money at the rates charged, and we could not do a chattel loan business, and we could not do enough business on any other plan to make it worth while.

Mr. LANDERYOU: Because the competition is too large.

Mr. REID: No, not the competition. The competition we have is the boot-legger and the loan shark.

Mr. LANDERYOU: You have some other competition. You have that basis on the loan of \$72, the monthly payment being \$6. This is the double rate you were speaking of.

Mr. REID: Yes. We have the same competition in Ontario; but I have explained to this committee that in six months since the Bank of Commerce have been in this plan with some six hundred branch offices, we, in our thirteen branch offices, made more loans than they did. I do not consider that competition; I consider it is complementary. We are not complaining of competition.

Mr. LANDERYOU: I have had an official of the bank tell me that many people borrow money to pay your company off.

Mr. REID: I say that the Bank of Commerce have 196—

Mr. LANDERYOU: The basis of the loan is \$72, the monthly payment is \$6. These monthly payments for twelve months, 7 per cent discount credit interest account is \$5.04, 2 per cent service charge is \$1.44, the chattel mortgage fee is \$3.97, and the total is \$10.45. If you were operating in the province of Quebec, or in Ontario where you could not get a chattel mortgage, that would be the charge you would have—\$10.45. Now, I find that in the Bank of Commerce if a person applied for a loan that would net the immediate borrower \$60, the amount he would apply for would be \$72, and the discount at 6 per cent would be \$4.32, the service charge is 50 cents, the stamp tax is 3 cents, and the total charge is \$4.86 for the loan of \$60, and your charge is \$10.45 for a loan of \$61.50.

Mr. REID: Yes. I am not denying that our loans cost more than the Bank of Commerce loans. What is the use of worrying about the cost if the borrower cannot get the money at the Bank of Commerce.

Mr. LANDERYOU: I cannot see why they cannot. They are open to do business.

Mr. REID: Why do people come to us?

Mr. LANDERYOU: The Bank of Commerce tells me that people come from you to them.

Mr. REID: I have explained to you that on that six months' period out of some 30,000 odd accounts 195 customers went to them, and during that same period we took on 6,865 new accounts.

Mr. LANDERYOU: The Bank of Commerce operates all over Canada and you operate in one area.

Mr. REID: Yes, but in these thirteen branch offices we do as much business as they do across Canada.

Mr. LANDERYOU: Why is it you have to charge more working in the districts you prefer to work in?

Mr. REID: Because the class of loan we make is a more expensive loan; it is a different type of business.

Mr. LANDERYOU: Why should it be more expensive?

Mr. REID: I have given enough of that. It is all on the record.

The CHAIRMAN: Yes, it is all in the record.

Mr. LANDERYOU: Would you admit the loans are made to the same type of borrower?

Mr. REID: Inasmuch as some people are redheaded and some are black and some are tall and some are short.

Mr. LANDERYOU: Don't you loan money to the same class of people—industrial workers—and the same class of people?

Mr. REID: Yes, inasmuch as we are all the same, but they have not all the same borrowing qualifications.

Mr. LANDERYOU: Will you admit that you loan money for the same reasons?

Mr. REID: I do not know what the Bank of Commerce reasons are.

Mr. LANDERYOU: The reasons are identical.

Mr. REID: They may say so, but they have been in business six months; they are still experimenting. Our people have been in this business sixty years.

Mr. LANDERYOU: Will you explain why it is that you have to charge rates of interest at least double?

The CHAIRMAN: I do not think we need to go over that.

Mr. LANDERYOU: I do not think we have had a full explanation.

Mr. REID: Mr. Deachman cross-examined me on that point at some length, and I think the records are complete.

The CHAIRMAN: We have had that *ad infinitum*.

Mr. PLAXTON: I will ask Mr. Landeryou why he cannot explain that himself.

Mr. LANDERYOU: You explain it. As far as I can see from the evidence I have been able to gather they loan money to the same type of people for the same purposes. They just loan anywhere from \$50 to \$500, and the rates of interest by comparison are all out of proportion. We find here a loan of—

Mr. VIEN: If they loan to the same class of people, the same type of borrower, in the case of the small loan company the rate of interest is almost double that of the other lender, why is it then that the borrowers address themselves to that company without going to the bank?

Mr. LANDERYOU: That is exactly what they do. Mr. Reid says so himself.

Mr. VIEN: I was addressing myself to Mr. Landeryou and saying that if the system of loaning small sums on personal loans as is now put in force by the Canadian Bank of Commerce is so much more advantageous to the borrower, do you believe for one minute that the same borrower would go to the companies instead of going to the bank?

Mr. LANDERYOU: They do not know.

Mr. VIEN: They do now. It has been advertised. The Canadian Bank of Commerce system has been advertised.

Mr. LANDERYOU: There has been no evidence to that effect. They advertise very little—not more than once a month.

Mr. MARTIN: I do not think Mr. Landeryou is qualified to give evidence.

Mr. LANDERYOU: I do not say I am. I am giving my opinion.

The CHAIRMAN: Are you ready for the question?

Mr. LANDERYOU: Mr. Reid himself has said that 195 customers have left his company and gone to the Bank of Commerce. That is his estimate, and
600 came back—

Mr. VIEN: There were 6,000 new customers.

Mr. LANDERYOU: They were not customers of the Bank of Commerce.

Mr. REID: No, but they could have gone to the bank. Why did they not?

Mr. LANDERYOU: Because you advertise more.

Mr. REID: So do they.

Mr. DONNELLY: When you make a loan, do you ask for an endorsation?

Mr. REID: No, sir.

Mr. DONNELLY: Does the Bank of Commerce ask for one?

Mr. REID: Yes.

Mr. DONNELLY: They ask for two; sometimes three or four. The trouble with the Bank of Commerce is that you have to get an endorser, whereas with this company you are not asked for an endorser. When a man comes to this company instead of going to the Bank of Commerce he does so because he cannot get an endorser.

Mr. REID: Yes; and because he can stand on his own feet without telling all his troubles to his friends or employer.

Mr. COLDWELL: If we are going to discuss the affairs of the Bank of Commerce, we should have a representative of the Bank of Commerce here.

Mr. TUCKER: If there was anything in Mr. Vien's argument it was the fact that these companies had been doing business both in Ontario and Quebec. If there is anything to his argument at all it would be that those companies operating under provincial authority and charging rates of 60 and 70 per cent would have been put out of business long ago. Yet, we have the viewpoint presented that they are prospering. That explodes Mr. Vien's argument.

Mr. VIEN: Mr. Tucker seems not to have got my point—

The CHAIRMAN: Mr. Vien, I must insist that Mr. Tucker has the floor.

Mr. VIEN: All right.

Mr. TUCKER: If that argument is worth anything, that they can get the money cheaper elsewhere than they can give it to them, these provincial companies would have been put out of business long ago because of the fact that they have been charging interest as high as 50 and 60 per cent.

The CHAIRMAN: Yes.

Mr. TUCKER: The argument of this company is that they don't all go to the Bank of Commerce, and that they didn't go there because they had to pay more interest, and I do not think that that is the case. I just want to support what Mr. Stevens says in regard to my attitude on this matter, and as far as I am concerned it can then be put.

Mr. VIEN: Hear, hear.

Mr. TUCKER: I submit that these companies have no right to continue charging 14 per cent interest, and that, as a matter of fact, they have no right to charge more than 7 per cent per annum under their old Act.

Mr. DONNELLY: How about the Bank of Commerce?

Mr. TUCKER: The Bank of Commerce may be doing the same thing, but we are not concerned with the Bank of Commerce now. If members of the committee are going to take that attitude towards my remarks, I can say a good deal.

The CHAIRMAN: No, no, Mr. Tucker—

Mr. TUCKER: I just wish to state my reasons for my position on this section.

The CHAIRMAN: You said a moment; and I am taking you at your word.

Mr. TUCKER: After that, I am saying so far as I am concerned—surely I can be permitted some opportunity—they knew the decision in the Kellie case which held that loan companies of this kind charge only 7 per cent per annum, and that a number of agencies were ordered to refund interest they had not earned over and above the amount indicated by the decision in that case. They also said in that decision that the 2 per cent which they could discount at could only be taken in the cases where costs had been bon fide incurred and charges actually made. We are asked to change that now and to authorize an interest of over 24 per cent per annum. We are saying that they don't have to incur any charges at all.

The CHAIRMAN: Order, order, please.

Mr. TUCKER: I say that the total charge under the constitution as it stands now which these companies are permitted to make is the charge of interest at 7 per cent per annum only, and 2 per cent discount in advance if they incur charges for investigation, and up to \$10 for drawing a chattel mortgage if they draw one, and for making disbursements; now we come along and we are going to authorize them to make a charge of an effective interest rate of 24 per cent per annum and no questions asked. We are told that the question of interest is not under our jurisdiction, and that we cannot control the charges they might make; that they are a matter of property and civil rights. They say that when we authorize them to charge a legal rate of interest of 24 per cent we are putting it beyond the power of the province to step in as it does to-day under the old charter—they have the right to charge under their authority from this parliament a rate of 7 per cent per annum, and then there is the 2 per cent discount for investigation, and the other charges which they make. But in what we are being asked to do now in authorizing an effective rate of 24 per cent per annum we have no assurance that the provinces will not step in and say that we have invaded property and civil rights, matters which come solely within their jurisdiction.

The CHAIRMAN: Are you ready for the question?

Mr. TUCKER: So far as I am concerned I do not propose by my vote to sanction a 24 per cent interest rate to be charged to the poor people of this country.

Some Hon. MEMBERS: Hear, hear.

Mr. QUELCH: In the new bill the company will be making greater profit on large loans than it is making at the present time; that is correct, is it not? Your average loan at the present time is \$165 or \$169; which is it?

Mr. REID: It is \$169.00. But we will not make more on our large loans than we will on our small ones.

Mr. QUELCH: I do not think that is quite a fair statement; because at the present time it pays you better to make a small loan than it does to make a large one.

Mr. REID: No.

Mr. QUELCH: Doesn't it? You make a profit on the charges, you charge as much to draw a chattel mortgage on a loan of \$50.00 as you do on a loan of \$500.00; therefore, it must be larger on the small loan.

Mr. REID: The small loans are carried at a loss.

Mr. QUELCH: Therefore, under the new bill you will be more likely to make a large loan than a small one and the average will increase from \$169.00 upward, probably; I think that is a fair statement.

The CHAIRMAN: Are you arguing, are you making a statement or are you asking a question; or are you doing both?

Mr. QUELCH: I am doing both; being economical, if you like. I am waiting for an answer, an explanation.

The CHAIRMAN: Oh.

Mr. REID: I never heard your question.

Mr. QUELCH: I wanted you to say whether my statement is correct or not.

Mr. REID: You made a statement.

The CHAIRMAN: Order, please; Mr. Quelch if you have a question please ask it.

Mr. QUELCH: I asked a question in this statement. I will make the whole statement over again if you like?

The CHAIRMAN: Just ask the question.

Mr. QUELCH: I will repeat the statement and the question; the question is that at the present time you make a greater profit, allowing for the profit on costs, on a small loan than you do on a large one?

Mr. REID: No.

Mr. QUELCH: That is, on your costs.

Mr. REID: No, we do not.

Mr. QUELCH: And the cost is \$10.00 on a small loan; don't you charge that?

Mr. REID: No, we do not.

Mr. QUELCH: What is your total mortgage charge?

Mr. VIEN: Permit him to answer your question.

The CHAIRMAN: Order please.

Mr. WALKER: Mr. Landeryou has taken my yellow sheet.

The CHAIRMAN: Mr. Landeryou, you have a yellow sheet; will you please return it.

Mr. LANDERYOU: Is this going to be tabled?

Mr. VIEN: You might allow Mr. Reid to use it.

Mr. McGEER: Why haven't we got copies of that for all the members?

The CHAIRMAN: Mr. Reid is answering a question and he needs to refer to it.

Mr. VIEN: Next year you will get it.

Mr. LANDERYOU: Will you table that?

The CHAIRMAN: This is going to be tabled.

Mr. REID: The charge for a chattel mortgage on a small loan is \$3.31, and on a large loan it is \$10.00. We lose money on these small loans but we make a little money on loans over \$300.00.

Mr. QUELCH: I am opposing this bill on grounds similar to those expressed by Mr. Tucker; because I think with the bill as it is constituted at the present

time they can only legally charge 7 per cent; it does not say 7 per cent on any other period, it says 7 per cent per annum which I take it means 7 per cent per annum; and I am opposing it on these grounds, because the proposed rate will raise that amount considerably.

The CHAIRMAN: Are you ready for the question?

Mr. McGEER: I would like to point out, Mr. Chairman, that when I asked for the information the other day, when I asked for the particulars with respect to a series of loans as shown in the records of the company in their own books I could not get it. I consider that that type of information constitutes real evidence, based as it would be on their actual loan operations; evidence of the type which I think this committee should consider. I don't want to deal with that phase of it just at the moment, but I do propose to deal with it later on. I asked to have that put in some time ago and I think it is proper and right that that information should be supplied. The matter was not dealt with by the committee because I was assured by everyone that that evidence had been given and was on the record, and I could get that information by reading the record. Now, Mr. Chairman, I want to say that I have read the record and the information is not there. Now, this is a statement which I think could be made a part of the record because copies have not been supplied to members of the committee, and I think every member of the committee should have the opportunity of perusing it. I would like to read it into the record now.

Mr. WALKER: It is already in the record.

Mr. BAKER: It was handed in to be included in the record.

The CHAIRMAN: Mr. McGeer, that statement is filed with the committee.

Mr. McGEER: It is filed? There is no exhibit number on it.

The CHAIRMAN: It was intended to put it in the record.

Mr. McGEER: I want to read it myself, and I am going to read it because I think it should be read. Now, as a matter of fact, this statement was handed to me on Friday. I asked for a copy of it and I was assured that a copy would be sent to my office.

Mr. REID: No, I beg your pardon, Mr. McGeer—

Mr. McGEER: We are apparently in disagreement. What I said when Mr. Walker came to me and said I think that this was information which I would like to look at, I said I would be very glad to examine it, but he said that he had only one copy beside the one which had been given to the committee, and I was told that this was the only copy available, and I understood from Mr. Reid that this was the copy that would be sent to me. I did not get it and I have never read it and I want to know what the charges as shown in it are.

Mr. REID: I think what I said was that I would be very happy to attend at your office at any time and give you any facts you wanted. I waited two days and didn't get a call from you.

Mr. McGEER: I want to get at these facts, and I think members of the house or of this committee will also be interested in these facts. Now, this is the discount schedule, a table produced by this particular company, and it shows: Discount schedule for cash sheet purposes; and it gives the following items and shows the charges being made: On a \$60 loan, the monthly payments on twelve months, \$5 each; the cost, 7 per cent discount; credit interest account, \$4.20; 2 per cent service charge, \$1.20; chattel mortgage fee, \$3.31; total cost, \$8.71; cash to borrower, \$51.29. Now, on a \$72 loan the monthly payments of 12 are \$6; 7 per cent discount credit interest account is \$5.04; the 2 per cent service charge is \$1.44; the chattel mortgage fee, \$3.97; total cost, \$10.45; cash to borrower, \$61.55. Where the face of the loan is \$96 the monthly payments on 12 months are \$8.06—

Mr. MARTIN: Mr. Chairman, I protest.

The CHAIRMAN: Mr. Martin.

Mr. MARTIN: I rise to a point of order. Surely my honourable friend is just reading out something that we can all see by looking it up again; I ask him if it is fair to the committee that he should take up our time in this way.

Mr. McGEER: I have been trying to get these facts for two weeks and this is the first time I have been able to examine them. Mr. Landeryou has them to-night and for a time they were in the hands of Mr. Stevens, and I would like now to get them fully—

The CHAIRMAN: Mr. McGeer, why put them on the record and read them; surely there is no need to tire the committee out?

Mr. McGEER: I have some questions that I wanted to develop.

The CHAIRMAN: Will you ask your questions please? Please have some consideration for the committee.

Mr. McGEER: I don't want to delay the committee unduly.

Mr. WALKER: Mr. McGeer has made a statement that directly concerns me personally, and I would like to deal with it, Mr. Chairman.

The CHAIRMAN: Yes.

Mr. WALKER: I would like to make a statement in reply, if I may. I waited on Mr. McGeer in his office. I asked him whether he was still pulling my leg; and if he was, had he not pulled long enough. But if he was not pulling my leg and wanted to take the thing seriously, could we not sit down and get at the facts. And we talked, not on the facts, but on constitutional questions which, in my submission, have nothing to do with the case. My client waited the whole week-end; and I have been available on many occasions, and he has not applied for any facts, and as far as I can make out is unwilling to listen to them.

Mr. McGEER: Mr. Chairman, I hardly think that is a fair statement; and I do not think that any parliamentary agent has the right to make such a statement with reference to a member of the House of Commons. If that kind of thing is going to be tolerated in this House of Commons on this type of legislation, then the sooner we know it, the better. I want that statement withdrawn.

The CHAIRMAN: Mr. Walker; the record will show that you invited it.

Mr. McGEER: Maybe I did. But if that kind of thing is going to be tolerated by this committee, then I for one want to know it.

The CHAIRMAN: If you read the record of what you said, I think you will find that you invited it.

Mr. McGEER: What I want to say is that the statement is without any foundation. Mr. Reid or Mr. Walker came to my office and laid his proposals before me. I listened to him, and I thought I gave him courteous and careful consideration. I may not have been willing to agree with what he wanted me to agree with, but that does not mean that I was pulling his leg or unwilling to listen to what he had to put forward. What did happen was that Mr. Walker came to me with this statement, with the suggestion that that was an answer to what I had asked in the way of specific information with reference to specific loans from the records of the company's books. I wanted this because it is some information. But this was taken away. I waited in my office to secure it and it did not come. I expected that a copy was to be sent to me. But I do not think there is any reason why these facts should not be put on the record.

The CHAIRMAN: Shall we consider them put on the record, and then proceed with the business, Mr. McGeer?

Mr. TUCKER: Before we do that, I wish to raise a question of privilege.

Mr. WARD: I thought you were through.

Mr. TUCKER: I thought I was, if Mr. Walker had not made the statement he did.

The CHAIRMAN: Oh, Mr. Tucker.

Mr. TUCKER: I rise to a question of privilege, Mr. Chairman. I am serious about it.

The CHAIRMAN: This is serious business, Mr. Tucker.

Mr. TUCKER: This is a serious matter and I am quite serious about it. Mr. Walker said that he went and asked Mr. McGeer if he was ready to treat this matter seriously.

The CHAIRMAN: Mr. Tucker, Mr. McGeer can always take care of himself.

Mr. TUCKER: It is a question that affects the privilege of every member of this committee.

Mr. MARTIN: He did not say it about you.

Mr. TUCKER: I do not care whether he said it about me or any other member of the committee. If he said it about you, I would object just the same. I absolutely object to a parliamentary agent appearing before this committee, Mr. Chairman, and suggesting that any member of it is not treating the matter before it seriously. Mr. Walker made that suggestion; and I ask you, Mr. Chairman, to ask Mr. Walker to withdraw that imputation against a member of this committee. I ask you that in all seriousness, because I think that the parliamentary agent has been permitted to say things about this committee that he should not have been permitted to say.

Hon. Mr. STEVENS: Repeatedly.

Mr. TUCKER: I ask you to do that, Mr. Chairman; and if you are not prepared to ask Mr. Walker to withdraw that imputation against Mr. McGeer, I intend, regretfully, to appeal from your ruling.

The CHAIRMAN: You cannot appeal from my ruling.

Mr. TUCKER: If you refuse to make a ruling that that is out of order, I intend to appeal.

Mr. McGEER: It will come up on the floor of the house.

Mr. WALKER: Mr. Chairman, I asked Mr. McGeer a question. As a matter of fact, he told me that he did oppose these bills. That seems to end that.

Mr. TUCKER: Withdraw the suggestion.

Mr. WALKER: I made no suggestion. I made a statement of fact. If there is any suggestion, I will withdraw it. I made a statement of fact which is as correct as my recollection is able to give it.

Hon. Mr. STEVENS: No gentleman would repeat a private conversation of that kind.

Mr. TUCKER: Mr. Walker claims he is voicing facts. He says he told Mr. McGeer—

The CHAIRMAN: Gentlemen, please let us keep our tempers. We are getting on now.

Mr. TUCKER: I just ask you, Mr. Chairman, to direct Mr. Walker to withdraw any suggestion.

The CHAIRMAN: I take it under advisement.

Mr. WALKER: I will withdraw from the room if it will do any good.

Mr. TUCKER: Withdraw that suggestion.

Mr. McGEER: Withdraw the suggestion and withdraw from the room.

The CHAIRMAN: No, Mr. Walker. Are you ready for the question, gentlemen?

Some Hon. MEMBER: Question.

Mr. McGEER: Mr. Chairman, in connection with these particular rates that are charged, I have a further two columns that I would like to put in.

The CHAIRMAN: Mr. McGeer, I suggested or at least I rather asked or appealed to you to allow us to put that on the record and not to undergo the torture of reading that out, please.

Mr. McGEER: I cannot understand why the consideration of facts pertinent to this bill should be torture.

The CHAIRMAN: There are so many facts that ought to be brought out and they can be put on the record and then we will read them in the morning.

Mr. McGEER: But you are going to decide this bill by vote of the committee before you consider these things.

The CHAIRMAN: You have some questions to ask out of that?

Mr. McGEER: No.

The CHAIRMAN: When you put them on the record, is that the end of it?

Mr. McGEER: You see that I rather dislike the way this committee moves.

The CHAIRMAN: Yes.

Mr. VIEN: So do we.

Mr. McGEER: Because it takes votes, and without considering at all decides upon a recommendation it is going to make to parliament. If I were certain that the provision of this amendment were not to be voted upon until the record in which these facts were contained were read by members of the committee, I would not be anxious to have the facts before it to-night.

The CHAIRMAN: Read the facts.

Mr. McGEER: But I know—

The CHAIRMAN: Read the record.

Mr. McGEER: I know that this committee proposes to vote without considering these facts.

The CHAIRMAN: That is unfair to the committee, Mr. McGeer.

Mr. MARTIN: I rise to a point of order and ask Mr. McGeer to take that back.

Mr. McGEER: I take it back, and I take it back on the understanding that there will be no objection to having all the facts before us before we vote. If I am assured of that, Mr. Chairman, then of course my mind is placed very much at rest; because I am quite confident in my own mind that if the committee take all the facts into consideration, the vote will be a proper and correct one.

Some Hon. MEMBERS: Hear, hear.

Mr. McGEER: And of course that is only what all of us on the committee want. I think that we should approach this thing with the utmost deliberation.

Mr. MARTIN: Hear, hear. That will be impossible for you.

Mr. McGEER: And in a spirit of generous tolerance.

Mr. MARTIN: Hear, hear; and fairness.

Mr. VIEN: It has been more than generous so far.

Mr. McGEER: On the face of a loan of \$108, monthly payments of twelve at \$91; cost, 7 per cent discount, credit interest account \$7.56; 2 per cent

service charge, \$2.16; chattel mortgage fee, \$5.96; total cost, \$15.68; cash to the borrower, \$92.32.

On the face of a loan of \$120, monthly payments of twelve, \$10 each, the cost is: 7 per cent discount credit interest account, \$8.40; 2 per cent service charge, \$2.40; chattel mortgage fee, \$6.62; total cost, \$17.42; cash to the borrower, \$102.58.

On the face of a loan of \$144, monthly payments of twelve at \$12, the cost is: 7 per cent discount credit interest account, \$10.08; 2 per cent service charge, \$2.88; chattel mortgage fee, \$7; total cost \$19.96; cash to the borrower, \$124.04.

On the face of a loan of \$180, monthly payments of twelve at \$15 each, the cost is: 7 per cent discount credit interest account, \$12.60; 2 per cent service charge, \$3.60; chattel mortgage fee, \$7; total cost, \$23.20; cash to the borrower, \$156.86.

On a loan of the face value of \$216, monthly payments of twelve at \$18, the cost is: 7 per cent discount credit interest account, \$15.12; 2 per cent service charge, \$4.32; chattel mortgage fee, \$7; total cost, \$26.44; cash to the borrower of \$189.56 on the face of a loan of \$216.

On the face of a loan for \$240, monthly payments of twelve at \$20 apiece, the cost is: 7 per cent discount credit interest account, \$16.80; 2 per cent service charge, \$4.80; chattel mortgage fee, \$7; total cost, \$28.60; cash to the borrower of \$211.40 out of \$240.

On the face of a loan of \$264, with twelve monthly payments of \$22, the cost is: 7 per cent discount credit interest account, \$18.48; 2 per cent service charge, \$5.28; chattel mortgage fee, \$7; total cost, \$30.76; or cash to the borrower of \$233.24 out of \$264.

On the face of a \$300 loan, monthly payments for twelve months at \$25, the cost is: 7 per cent discount credit interest account, \$21; 2 per cent service charge, \$6; chattel mortgage fee, \$7; total cost, \$34; cash to the borrower of \$266.

On a loan of \$336, with twelve monthly payments of \$28, the cost is: 7 per cent discount credit interest account, \$23.52; 2 per cent service charge, \$6.72; chattel mortgage fee, \$7; total cost, \$37.24; cash to the borrower, \$298.76.

On the face of a loan of \$396, with twelve monthly payments of \$33, the cost is: 7 per cent discount credit interest account, \$27.72; 2 per cent service charge, \$7.92; chattel mortgage fee, \$7; total cost, \$42.64; cash to the borrower, \$353.36.

On the face of a loan of \$456, the monthly payments of twelve are \$38; the cost is: 7 per cent discount credit interest account, \$31.92; 2 per cent service charge, \$9.12; chattel mortgage fee, \$7; total cost, \$48.04; cash to the borrower, \$407.96.

On the face of a loan of \$516, with monthly payments for twelve months at \$43, the cost is: 7 per cent discount credit interest account, \$36.12; 2 per cent service charge, \$10.32; chattel mortgage fee, \$7; total cost, \$53.44; cash to the borrower, \$462.56.

On the face of a loan of \$564, with monthly payments of twelve at \$47, the cost is: 7 per cent discount credit interest account, \$39.48; 2 per cent service charge, \$11.28; chattel mortgage fee, \$7; total cost, \$57.76; cash to the borrower, \$506.24.

Now I take it, Mr. Chairman, that we can accept that statement as a statement of the standard charges made by this particular company on the loans that it makes and that this statement that I have read into the record is a correct statement of the loans this company makes and the charges it makes. I should like to have Mr. Reid qualify that or otherwise.

The CHAIRMAN: Mr. Reid gave you the statement, Mr. McGeer.

Mr. McGEER: I should like to file it as an exhibit.

The CHAIRMAN: The company filed that with the secretary and we lent it to Mr. Stevens. It has been passed around the committee. As soon as you return it it will be marked.

Mr. McGEER: I am putting it in as an exhibit now.

The CHAIRMAN: Mr. Reid put it in a little while ago.

Mr. McGEER: I want to know—

Mr. MARTIN: It does not need to be an exhibit.

Mr. McGEER: Exhibit what?

Mr. MARTIN: It is an exhibit of what it is.

Mr. BAKER: It was put in nearly two hours ago as an exhibit.

The CHAIRMAN: Mr. Reid, Mr. McGeer has a question to ask you.

Mr. McGEER: What is this exhibit number?

The CLERK: Exhibit 3.

The CHAIRMAN: The clerk will mark it. You have a question to ask Mr. Reid?

Mr. McGEER: Yes. You see exhibit 3, Mr. Reid? I am taking it that is a statement of the basis of your loaning operations as carried on by your company, indicating the charges that are made and the loans in the respective brackets that are made. Is that right?

Mr. REID: Is that question complete?

Mr. McGEER: Yes. You have a number of—

Mr. REID: You said you take the loans we make in these brackets. I do not get the question.

Mr. MARTIN: You do not speak loud enough, Mr. McGeer.

Mr. McGEER: I am sorry you did not get the question.

Mr. REID: It is not a statement of the business at all. It is just a schedule.

Mr. McGEER: Did you make loans of these amounts, and how much money—you did make the loans indicated there?

Mr. REID: Yes.

Mr. McGEER: These are the charges you make?

Mr. REID: Quite so.

Mr. McGEER: Have you any other basis of charging?

Mr. REID: No.

Mr. McGEER: No other basis?

Mr. REID: No.

Mr. WALKER: Not now.

Mr. McGEER: That is a complete indication of the basis of your charges on the loans that you make?

Mr. REID: Yes.

Mr. McGEER: Now, how long have you been charging on that basis?

Mr. REID: This particular schedule came into force the 1st of December.

Mr. McGEER: Did you ever have any other schedule?

Mr. REID: Yes.

Mr. McGEER: Have you got a record of the schedule with you?

Mr. REID: Exactly the same as this except that the maximum fee is \$10 instead of \$7.

Mr. McGEER: What was the cause of that change?

Mr. REID: No cause at all; purely voluntary on our part.

Mr. McGEER: You reduced the \$10 charge to a maximum of \$7, is that right?

Mr. REID: That is right.

Mr. McGEER: Well, now, if we might get on with the business before the committee—

Mr. MARTIN: Hear, hear; a great show we are having, a wonderful show.

Mr. McGEER: Mr. Chairman, that is not going to help this committee.

Mr. MARTIN: I am telling you it is great.

Mr. McGEER: I know, because I have been through more of these mills than you have been.

Mr. MARTIN: Apparently.

Mr. McGEER: I want to say I do not accept these remarks with indifference.

Mr. MARTIN: It is getting under your skin; go on.

Mr. VIEN: Question.

Mr. McGEER: Now, Mr. Reid, can you tell me what percentage of the money you loaned in the last year was in loans of \$300 and over?

Mr. MARTIN: We have had that about ten times.

Mr. McGEER: Percentage of the number of loans, he said. I want the percentage of the amount loaned.

Mr. REID: These figures were read into the record. I have not them here, but they are in the record.

Mr. McGEER: I am trying to find out and cannot find out. What I had analysed in the record was the percentage of the number of loans made.

Mr. REID: The full figures were inserted.

Hon. Mr. STEVENS: About 33 per cent.

Mr. McGEER: Can you tell me of your business during the last five years how much you loaned each year?

Mr. REID: Yes, I gave these figures too.

Mr. VIEN: And they are in the blue book.

Mr. REID: They are all in the records.

The CHAIRMAN: They are in the blue book.

Mr. McGEER: I know; I can get them from him as well.

Mr. MARTIN: And you take up our time to get them.

Mr. McGEER: I want them on the record.

Mr. REID: I am satisfied these figures are on the record. I am sure that question was asked the other day.

Mr. McGEER: I put it to you on this basis, that during the last five years your losses for bad debts are less than one-tenth of one per cent.

Mr. REID: I deny that.

Mr. McGEER: How much are they?

Mr. REID: I have not these figures. That is all in the records.

Mr. McGEER: How much are they? I figured it out from the information I could get from the record.

Mr. REID: Your figuring is wrong.

Mr. McGEER: I figured it out roughly at about one-tenth of one per cent.

Mr. REID: Your figuring is quite wrong.

Mr. McGEER: Can you tell us what the right figures are?

Mr. REID: The figures are all in the record.

Mr. McGEER: I want the information from you. That is a pertinent question.

Mr. REID: If the Chair rules, I will—

The CHAIRMAN: I think it is all in the record. I do not think there is any need to give them.

Hon. Mr. STEVENS: That particular question was never asked and never answered.

Mr. VIEN: It would be shorter to answer it.

Hon. Mr. STEVENS: A question was asked in regard to the profit and loss account, but there has been no answer to this question.

The CHAIRMAN: Have you the figures?

Mr. REID: What are you figuring that one-tenth of one per cent on, the payment of loans on average balance outstanding?

Mr. McGEER: On the total volume of loans made?

Mr. REID: My recollection is it is roughly one-half of one per cent figured on that basis.

Mr. McGEER: Let us have the figures. Surely you are conversant with your own figures.

Mr. REID: I have not these figures available. I cannot remember all these figures. They are all in the record there. I read that statement.

Mr. McGEER: Where did they come from?

Mr. REID: From the company's statement. I do not pretend to carry all these figures in my mind. I have given this evidence and I did not bring the statement with me. It never occurred to me I would be asked to give evidence of that again.

Mr. McGEER: This is a very important item for this committee to consider.

Mr. REID: It is important to us; it is in there.

Mr. McGEER: I should be very glad to have the actual facts, because I see—

The CHAIRMAN: Mr. Reid has stated he has not the figures with him, Mr. McGeer.

Mr. McGEER: We should adjourn the committee until he gets them.

Mr. MARTIN: They are in the evidence. Why should we be put in this humiliating position?

Mr. McGEER: The hon. member for Essex East says they are there.

Hon. Mr. STEVENS: I figure from memory about .1 per cent for the year 1936.

Mr. MARTIN: I would not refer to you as "honourable."

Mr. McGEER: Every member of the House of Commons would be interested in that.

Mr. MARTIN: They are in the evidence.

The CHAIRMAN: Are you going to vote on this matter tonight?

Mr. MARTIN: Yes.

Mr. McGEER: We are not going to vote on it as far as I am concerned until we get the pertinent facts.

Mr. MARTIN: They are in the evidence. Why should you keep us here in this committee when it is already in the evidence?

Mr. LANDERYOU: That information has not been brought out.

The CHAIRMAN: What is the question?

Hon. Mr. STEVENS: This is an important question. Mr. McGeer has very properly asked the percentage of bad debt loans to the turnover of the business.

Mr. REID: Half of one per cent.

Mr. McGEER: No. What he said is, "from memory I think it is one-half of one per cent." I do not want that kind of evidence before this committee, and

I do not expect to be called upon to vote on that kind of evidence. I want the kind of evidence that gives me facts that are available. I have asked this witness who is urging this committee and asking parliament to increase the interest to 24 per cent.

The CHAIRMAN: Mr. Reid has not the figures with him.

Mr. McGEER: I move that we adjourn until tomorrow morning, until Mr. Reid can get the figures, because as I said to the chairman and to this committee, it is a very important matter.

Mr. MARTIN: You cannot debate it, sit down. The question is on the motion to adjourn.

The CHAIRMAN: All those in favour of adjourning please stand.

Mr. HOWARD: Record the vote.

The CHAIRMAN: I declare the motion lost.

Mr. McGEER: Now, there was a statement, Mr. Chairman, that is equally important with the last one—

The CHAIRMAN: Before you go on I have a matter to suggest. We have before this committee bills that are said to be non-contentious. The first bill is in respect to the Premier Trust Company. Is it your wish to pass them? I think they are not contentious.

Hon. Mr. STEVENS: I have not seen them.

The CHAIRMAN: We shall take them up later, then.

Mr. McGEER: I shall be glad to proceed with the other business.

Mr. VIEN: We are ready for the question.

The CHAIRMAN: Which question?

Mr. VIEN: Section 3.

The CHAIRMAN: Mr. McGeer wishes to discuss section 3. Do you want Mr. McGeer to continue the discussion or consider these non-contentious bills?

Mr. VIEN: No, unless the bill—

The CHAIRMAN: Then proceed.

Mr. VIEN: Mr. Stevens suggests—

Hon. Mr. STEVENS: Mr. Vien, speak for yourself. I am quite able to—

Mr. VIEN: When you spoke of considering the other bills Mr. Stevens made the objection that—

Hon. Mr. STEVENS: I made no objection. I can make all the objections I wish myself, Mr. Chairman, and you are always courteous enough to listen to them.

The CHAIRMAN: I understood Mr. Stevens to say that he had not read the bills.

Mr. VIEN: Exactly; I was going to say that. Call it an objection or otherwise.

The CHAIRMAN: They appear to be non-contentious, and I thought we might just as well pass them.

Mr. McGEER: The chairman asked me if I would make way for these other bills in the meantime. I would be glad to do so.

Mr. VIEN: Will you read the bills?

Mr. MARTIN: We cannot do that. We have one bill before us.

Mr. VIEN: We are disturbing the study of this bill considerably.

Mr. HOWARD: Finish up this one.

Mr. MARTIN: We want to listen to Mr. McGeer.

The CHAIRMAN: I have not noticed any great anxiety on your part to listen to Mr. McGeer.

Mr. VIEN: Could we not go on with this bill to see whether we can dispose of it?

The CHAIRMAN: Bill C has the right of way unless you unanimously consent that we proceed with the other.

Mr. VIEN: Let us go on with the bill.

The CHAIRMAN: All right, then. Mr. McGeer proceed.

Mr. TUCKER: If these bills are non-contentious I submit by motion of this committee we consider them now. From what I have heard different members say it looks as if this bill will take a lot more time.

The CHAIRMAN: There is an objection. Mr. McGeer, go on.

Mr. TUCKER: You have said these bills are non-contentious. I should like to see them reported if they are non-contentious. I am anxious to do business in this committee.

Mr. VIEN: To have a chance to continue wasting time.

The CHAIRMAN: Mr. Tucker, please. Mr. McGeer has the floor.

Mr. VIEN: I withdraw that.

Mr. TUCKER: The suggestion is made we are doing this to waste time. I resent that: It is not wasting time to say that we should consider these non-contentious bills and deal with them so that we can get them out of the way. I wish to make the motion.

Hon. Mr. LAWSON: You cannot move without unanimous consent.

Mr. TUCKER: I do not need to have it. I move that we adjourn consideration of bill C until we have disposed of these bills. That motion is in order.

Mr. VIEN: I object.

Mr. TUCKER: I move that we adjourn consideration of this bill until we have considered the non-contentious bills.

Mr. JACOBS: How do you know they are going to be non-contentious until you have read them?

Mr. MARTIN: I object.

Mr. JACOBS: I object, too.

Mr. TUCKER: I make the motion.

Mr. MARTIN: I object; you cannot do it.

Mr. VIEN: All right; carry on.

The CHAIRMAN: Mr. McGeer, you have the floor.

Mr. McGEER: Now, Mr. Chairman, the importance of the list I have read to you stands out when it is contrasted with the Canadian Bank of Commerce's personal loan department, "amounts for each application should be filled in." I should like to point out to the members of this committee that a study of these two statements shows either one of two things. Either the loans made by the Bank of Commerce are in an entirely different category from the loans made by the company under consideration, or else the Bank of Commerce is losing money, or this company that we are considering is making too much. The amount, according to this schedule, is based upon an assumption that if a borrower wants so much money he should apply for a loan and he knows exactly what he is getting. If the amount needed by the customer is \$50, the amount which he should apply for is \$60. The discount at 6 per cent is \$3.60, the service charge is 50 cents, the stamp tax is 3 cents, and the total amount is \$4.13. The borrower gets \$55.87, and he is called upon to make a deposit of \$5 a month.

Now, whether or not the Bank of Commerce can secure a rate of interest of that kind as a legal proposition by compelling the borrower to pay interest on an amount which he does not get the use of through the dictation of a term of the contract that there shall be a deposit not treated as a repayment, is something

that, no doubt, the banks have considered, because that money is on deposit, apparently, not as a repayment of the loan. I suggest that that indicates that the Bank of Commerce thinks that you cannot take interest for a loan for a period of time which is reduced by an instalment payment basis. If that is so, then the reason for this legislation is perfectly apparent; that the system of charging interest for money which the borrower does not enjoy the use of is not sound in law. If that is true, then we are asked, as a committee of parliament, not only to sanction a practice which has not a legal basis, but to corrupt that situation now by making what parliament never made lawful, a legal proposition. Surely, when the difference is so great as between what the Bank of Commerce is now doing and what this company is asking for, it warrants us in having the evidence of the Bank of Commerce before us. Surely, Mr. Chairman we should know—

The CHAIRMAN: We have already voted on this subject, Mr. McGeer.

Mr. McGEER: I agree; but I cannot understand why we cannot have that witness before us.

The CHAIRMAN: We have already disposed of the matter.

Mr. McGEER: Now, if a borrower wants \$60, the amount he should apply for is \$72. The discount at 6 per cent is \$4.32, the service charge is 50 cents.

Mr. HOWARD: That is a worse system than this.

Mr. McGEER: Maybe it is; and if it comes to light in this committee then this committee should not hesitate to deal with it; but apparently—

The CHAIRMAN: I suggest that Mr. McGeer be not interrupted. He is as anxious as we are to get through with his argument.

Mr. McGEER: The total amount charged where the borrower gets \$60 is \$4.86, and the deposit obligation is \$6 a month. Now, on an amount where the borrower wants \$75, the amount for which he should apply is \$84. The discount at 6 per cent is \$5.04, the service charge is 50 cents, the stamp tax is 3 cents; the total charge is \$5.57, and the net proceeds to the borrower are \$78.43, and his deposit obligation is \$7 a month. Now, when the amount rises to \$90, the borrower should apply for \$96. The discount rate at 6 per cent is \$5.76, the service charge is 50 cents, and the amount of the total charge is \$7.04, and the monthly repayment amount is \$9. When the loan rises to \$200, the amount for which the borrower should apply is \$260. The discount at 6 per cent is \$12.96, the service charge is 75 cents, the stamp tax is 6 cents, and the total charge is \$15.93; and the amount the borrower receives is \$236.07, and his monthly deposit rises to \$21. Now, on a \$400 loan he applies for \$432. He takes a discount at 6 per cent of \$25.92. The total service charge is \$1.75. The stamp tax is 6 cents. And the total charges are \$27.73. The borrower gets \$404.27, and has deposited \$36. On a \$500 loan, he applies for \$540. The discount at 6 per cent is \$32.40, the service charge is \$2, the stamp tax is 6 cents; the total amount the borrower receives is \$460.67.

Now, if you will examine the disparity in these charges as between what the bank gets, they are reduced by roughly 50 per cent. What can there be, Mr. Chairman, in the operation of this type of loaning business that permits the bank to carry on at 12 per cent, or a little better, when this company needs something over 26 per cent? Now there may be some reason for that. I would like to have this statement incorporated in the record, Mr. Chairman, and marked as exhibit 4. It has been handed to me as a statement of the Bank of Commerce. Unfortunately, the Bank of Commerce representatives are not here—I think they should be called—to prove this statement, but it is printed under their name and I presume it can be accepted as a correct statement of the position.

(Statement marked *Exhibit No. 4*).

The CHAIRMAN: Have you finished, Mr. McGeer?

Mr. McGEER: No. Mr. Landeryou wants to go into this.

Mr. LANDERYOU: I want to say a few words.

Mr. MARTIN: Mr. McGeer should finish his statement.

The CHAIRMAN: No, I think not.

Mr. LANDERYOU: I notice here on page 27 of a booklet put out by the Central Finance Corporation that people borrow for the following reasons: medical, dental and hospital.

The CHAIRMAN: Mr. Landeryou, we had all that evidence. Mr. Reid gave it very distinctly.

Mr. LANDERYOU: I want to make a comparison of the purposes of borrowing with the pamphlet I have in my hand put out by the Canadian Bank of Commerce, and I think it should be of record so that a comparison can be made to show that the same type of people borrow this money, and for the same purpose.

Mr. MARTIN: That is admitted.

Mr. LANDERYOU: I want it put on record, and I think I should have that opportunity.

The CHAIRMAN: Do you mind if it is put on the record without your reading it?

Mr. LANDERYOU: No. I want this for my own personal use. The purposes of borrowing are given as medical, dental and hospital, and the number of customers is 4,459, and the percentage of the total is 18·59 per cent; to consolidate sundry overdue bills we find from the Central Finance Corporation, according to their list, that 2,149 customers borrowed money or 8·96 per cent of the total; for taxes the number of customers was 1,766, and the percentage of the total was 7·36 per cent; for fuel the number of customers was 1,529 and the per cent of the total 6·37 per cent; real estate mortgages and interest, 1,745 customers borrowed or 7·27 per cent of the total; clothing, 1,842 customers borrowed and the per cent of the total was 7·68; insurance—

The CHAIRMAN: Mr. Landeryou, we have another copy of this, so it can be given to the reporter and put on the record. I hope you are not—

Mr. LANDERYOU: I am perfectly ready to have that put on the record, but I do not desire to have this copy taken from me for that purpose.

The CHAIRMAN: No; we have another one here.

Mr. LANDERYOU: This is the Canadian Bank of Commerce pamphlet I hold in my hand; and for the same purpose we find some of the useful purposes for which application for personal loans should be considered, and there are many others—paying cost of sickness, dentists. This is a pamphlet issued by the Canadian Bank of Commerce, and it is issued by their personal loan department.

The CHAIRMAN: You realize, of course, that all these remarks are being reported at the country's expense, and we should not have to report something which is unnecessary.

Mr. LANDERYOU: The operations of these finance companies are costing many citizens of Canada a great deal of money which I think could be saved.

The CHAIRMAN: The claim is that they are saving money.

Mr. DEACHMAN: It is paid with social credit; it does not make any difference.

Mr. LANDERYOU: I wanted to continue reading from this pamphlet: "Paying cost of sickness, paying dental bills, meeting hospital charges, paying taxes, consolidating urgent debts, home improvements, paying educational fees, meeting insurance premiums."

Mr. REID: But they require endorsers.

Mr. LANDERYOU: They require endorsers, it is true; but the endorsers are protected by insurance. Now, I would like to ask Mr. Reid if a man borrowed say \$300 from them, and if that man died what would be the position of his wife; would she lose all her furniture?

Mr. REID: In reply to that question I want to say that we have not taken a single stick of furniture in the last four years. I think the statement you have made is very unfair. I have made the statement that to my own knowledge for at least the last four years we have not in a single case enforced the right which is ours with respect to chattel mortgages.

Mr. LANDERYOU: That may be, but still you have the right to do so.

Mr. REID: Yes, we have that right, but as I say, we have not used it. Then, I want to say that the figures we have given you there are based on actual statistics and facts. The bank's statement is not based on its operations at all.

Mr. WALKER: The statement by the banks is purely hypothetical.

Mr. LANDERYOU: You are sure of that—in other words, this pamphlet is not declaring the policy of the Bank of Commerce, according to you.

Mr. WALKER: I am not saying that.

Mr. LANDERYOU: These are the purposes for which they loan money.

Mr. BAKER: You said what they do loan money for.

The CHAIRMAN: What is the date of that pamphlet?

Mr. WALKER: That is advertising passed out by the Bank of Commerce when they started.

Mr. LANDERYOU: There is no date on it. I secured it recently from one of the officials in the personal loan department.

Mr. VIEN: Is it printed?

Mr. LANDERYOU: Yes.

Mr. CLEAVER: I thought we had finished with the Bank of Commerce question.

Mr. LANDERYOU: Just to clear it up; it goes on to say who may apply—any resident who is employed and is acceptable to the bank as a good credit risk. Then the next point is, how do I apply; and the instruction is, get a personal loan application at any branch of the bank—

Mr. VIEN: I rise to a point of order on the rules.

The CHAIRMAN: Mr. Vien.

Mr. VIEN: By rule 293, a member may not read from a printed document; and this rule applies to committee as well as to the house. Therefore, I think the honourable gentleman is out of order in reading from a printed pamphlet.

Hon. Mr. STEVENS: You voted down calling the Bank of Commerce here, and now you rule out of order even reading one of their pamphlets.

Mr. TUCKER: On the point of order; the Superintendent of Insurance has been reading from a report, he has done that over and over again; yes, all his evidence is reading from printed document. What is the difference, Mr. Chairman?

Mr. LANDERYOU: The committee voted on the motion to have officials of the bank present here so that we could get evidence from them.

Hon. Mr. STEVENS: I never heard of such a ruling being invoked in committee in my life.

Mr. JACOBS: You are learning.

Mr. VIEN: I have been in parliament for ten years and I do not ever recall a performance of this kind.

Mr. TUCKER: Mr. Chairman, I object.

Mr. DONNELLY: So do we all object.

Mr. TUCKER: I ask him to withdraw that, he is not going to make statements of that kind to my face. I ask him to withdraw it.

Mr. CLEAVER: I don't wonder Mr. Tucker is touchy about it.

Mr. TUCKER: As a matter of fact, if that is going to be the attitude taken toward my remarks—I have made up my mind, and as far as I am concerned I would like to see this bill put through, but I am going to insist that Mr. Vien withdraw the insinuation implied in his remark.

The CHAIRMAN: Mr. Tucker, please. Order, please. We are here to consider the public business.

Mr. TUCKER: Mr. Vien can't say a thing like that about me and get away with it.

The CHAIRMAN: Will you please take your seat until I make my statement. We are here to consider public business, not private feelings. Now, when Mr. Vien made the statement I certainly exonerated you, and I am quite sure Mr. Vien did not mean you.

Mr. VIEN: Surely not.

The CHAIRMAN: You made the statement that you intended to get on with the bill, which was a very commendable statement on your part, and in the performance—

Mr. TUCKER: If everybody else is satisfied to leave it at that, all right.

Mr. JACOBS: Mr. Chairman, I want to ask Mr. McGeer—

The CHAIRMAN: Order, please. I may say that under the rules of the house, strictly speaking, I think you should not continue to read from a document.

Mr. LANDERYOU: Then, I will not continue to read from the document; but I would like to have the assurance of Mr. Reid, and I would ask him to assure me, that in the case a man was to die the furniture he left to his widow would not be taken from her.

Mr. JACOBS: That is a commendable sentiment.

Mr. LANDERYOU: But will you state that that is the policy of your company; not to take furniture away in those circumstances?

Mr. REID: Of what use would my assurance be to you? You said that we can change our policy any time we want to, so what use would there be in my giving you that assurance?

The CHAIRMAN: Mr. Reid is giving you the record of his performance.

Mr. LANDERYOU: Here is the record of the performance of the Bank of Commerce.

Mr. WALKER: No, it is not.

Mr. LANDERYOU: They say they are protecting the borrower.

Mr. CLEAVER: They don't change their views any more often than do the Social Crediters.

Mr. REID: They are not giving their insurance away, they are selling it.

Mr. LANDERYOU: I understand that they do not have to pay for it.

The CHAIRMAN: Order, please; you promised not to read from it.

Mr. LANDERYOU: I am answering his question. They charge for it, but they allow a man to place a deposit in the bank and the interest on the money deposited is more than enough to take care of the charges they make for insuring the loan.

Mr. REID: That may be, but the borrower pays for the insurance.

Mr. LANDERYOU: He may pay for the insurance, but he gets it back through the interest which the money he deposits earns for him.

Mr. REID: But in our case, we can't take deposits and we can't sell insurance.

Mr. LANDERYOU: But you are in competition with them on this type of loan?

Mr. REID: We are not in competition with them, the services are certainly not competitive.

The CHAIRMAN: Why discuss that question?

Mr. REID: You might just as well say that the Chinese restaurant across the street is in competition with the Chateau Laurier.

Mr. LANDERYOU: Which it is, in fact.

Mr. REID: I hardly think I can agree with you on that. You see, we are lending money to a different type of borrower.

The CHAIRMAN: Order, please.

Mr. LANDERYOU: And it goes on to state that he must be steadily employed; and third that he can obtain the signature of two other responsible persons who become guarantors of the needy borrowers. For the information of honourable members of this committee I will say this, that Mr. Reid himself has said that 195 borrowers—

Mr. REID: Out of a total of 37,000.

Mr. LANDERYOU: —went to the Bank of Commerce to get loans, and they have only been operating for a period of about 8 months. The Bank of Commerce has only started loaning, and they have not been advertising as extensively as you have.

The CHAIRMAN: Let Mr. Landeryou finish his argument. Are you ready for the question?

Mr. McGEER: In view of the situation which has now developed, the committee has refused to call the Bank of Commerce but they have accepted a statement from Mr. Landeryou and put it on the record.

Mr. MARTIN: We did not accept it.

Mr. McGEER: Allowed him to read from a printed document, and now ruled that we can't have further evidence from the Bank of Commerce—

The CHAIRMAN: My attention was called to the rule by Mr. Vien.

Mr. McGEER: I think I have a right to appeal from the ruling of the chair.

The CHAIRMAN: The question is on the ruling of the chair. The question is, shall the ruling of the Chair be sustained?

Mr. TUCKER: Before the ruling is put on the ruling of the chair, I just wish to put myself on record that in view of the fact that Mr. Finlayson was allowed to read from printed documents, and also in view of the fact that officers of the company were permitted to do likewise, I certainly cannot vote against my colleague, and I certainly shall have to vote against the ruling of the chair.

The CHAIRMAN: I would point out that the attention of the chair was not previously called to the rule.

Hon. Mr. STEVENS: Would you be kind enough to say what rule that is based upon. I never heard of such a rule being invoked in a committee in my life. I do not think it is correct.

Mr. VIEN: The same rules that apply to debates in the house apply to committees.

The CHAIRMAN: The rule is No. 293, (L): A member while speaking must not read from a printed document or book commenting on any speech made in parliament during the session.

Hon. Mr. STEVENS: Mr. Chairman, that rule applies to debates in the House of Commons and there is nothing to indicate that it applies to the committees of the house; and to my knowledge in 26 years it has never been invoked.

The CHAIRMAN: I was informed the other night that the rules of the House of Commons are the only rules upon which we have to proceed in committee.

Hon. Mr. STEVENS: Is it true that every rule that is applicable to the House of Commons may be invoked in a committee?

The CHAIRMAN: Not at all.

Hon. Mr. STEVENS: Otherwise, committees could not operate.

The CHAIRMAN: I made the ruling. The question before the committee is shall the ruling of the chair be sustained?

Mr. WARD: I shall be sorry to say this question even put. I am one of the older members. I have been coming here for about 15 years, and I have never known that rule to be applied in committee; I am sure it never was.

The CHAIRMAN: That may be true.

Mr. WARD: You are going to put someone in a very awkward position. I don't want to vote against you.

Mr. BAKER: If the rule is correct you won't vote against it.

Mr. WARD: I do not think the rule was ever intended to apply to committees. I am sure it was not.

The CHAIRMAN: The question, please. The ruling of the chair appears to be sustained.

Mr. LANDERYOU: Will some honourable member record the vote?

Mr. MARTIN: You are not in Alberta now.

Mr. LANDERYOU: If we were in Alberta now it would be a lot easier going.

Mr. MARTIN: You would put the leader out?

The CHAIRMAN: Those supporting the chair say yes; those opposed say no. The ruling of the chair was sustained by for; against.

Mr. CLEAVER: Mr. Chairman, do I have the floor? A motion has just been put and carried, and being disposed of I believe the decks are now clear.

Mr. McGEER: No, they are not.

Hon. Mr. STEVENS: There is a motion before the committee now.

Mr. CLEAVER: I understand that motion is carried.

The CHAIRMAN: There is a motion before the committee, section 3.

Mr. CLEAVER: I have a motion, that the question be now put; I believe it is not debatable.

Mr. McGEER: I gave the floor to my friend.

Mr. MARTIN: That motion is not debatable.

Mr. McGEER: No man has the right to intervene and take my place on the floor of the committee.

Mr. CLEAVER: A motion has since intervened. I submit I have the floor.

The CHAIRMAN: No. I think Mr. McGeer has the floor.

Mr. McGEER: Might I have exhibits 4 and 5?

Mr. HOWARD: What are we going to do now, Mr. Chairman? I think in fairness, if we want to get somewhere,—the motion had been put on the speakers' ruling. It had been voted on with a majority in favour of his ruling, and the gentleman at the end of the table has the floor; and he moved that the vote be now taken and I seconded the motion.

The CHAIRMAN: You need not second a motion in committee.

Mr. MARTIN: And it is not debatable.

Mr. McGEER: Now, Mr. Chairman, with these exhibits—

Mr. HOWARD: Will you get off the floor?

Mr. McGEER: I was never off.

Mr. HOWARD: How does Mr. McGeer get the floor in this committee? Let us hear that.

The CHAIRMAN: Mr. McGeer had the floor and was interrupted. We want discussion on this matter. I have tried to give the greatest latitude. The motion that had been moved is one of closure. As far as I am concerned, I have no disposition to put a motion of closure tonight. I intend to take the matter under advisement and see whether it applies or not. That is my ruling and you can appeal against it if you care to. Mr. McGeer, you have the floor.

Mr. McGEER: Mr. Chairman, now that we have these statements before us as exhibits, I take it that there can be no possible ruling that denies us the right to examine them and to read them and to analyse them. If there is anything in the rules of the House of Commons that can prevent this committee from examining documents that have been accepted as exhibits and are now evidence before us, I would like to know what that ruling is.

Mr. MARTIN: Whose ruling? Do not be afraid.

Mr. McGEER: Then we will read these documents.

The CHAIRMAN: Mr. McGeer, I ask you not to do that. I am giving you the widest latitude. We have already voted on the matter. You have seen the disposition of the committee.

Mr. McGEER: Quite true.

Mr. LANDERYOU: What is the reason for not wanting these read?

The CHAIRMAN: There is no reason. There is a rule that the attention of the chair was called to. I made my ruling according to the rules of the house. It was appealed from and I was sustained. Now I ask Mr. McGeer not to contravene the disposition of the committee.

Mr. McGEER: I am raising another point.

The CHAIRMAN: What is the point?

Mr. McGEER: The point is that now these documents have been accepted as exhibits and are filed before the committee and are part of the record, are we denied the right, under any rule, to read and analyse what is in those documents which are now exhibits?

Mr. VIEN: Mr. Chairman, I suggest on that point that Mr. McGeer can make an argument or can put a question on them but cannot read them into the record, because it would be a tedious repetition of documents already before the committee.

The CHAIRMAN: They are on our records and filed with us. I rule that.

Mr. VIEN: Suppose that we should start to read the Blue Book, which is part of the record. It would be tedious repetition and blocking the work of the committee. Mr. McGeer can make an argument. He can put a question to the witness. But he cannot read into the record what is already an exhibit.

Mr. McGEER: You see, what we are trying to get at—at least, some of us—is whether or not we should increase this rate to 24 per cent.

Mr. CLEAVER: Decrease.

Mr. McGEER: And what I hoped I would induce the committee to consider was that not only should there not be an increase from 14 per cent to 26 per cent, but that it should not be allowed to go up from 7 per cent, where I think

it is fixed. There happen to be, in my opinion, two matters that the committee should consider: First, that the Bank of Commerce is charging too much, and in addition to that we are proposing to allow a five million dollar corporation, if this bill goes through, to charge twice as much.

Mr. VIEN: Mr. Chairman, I oppose any reference to what the Bank of Commerce is doing. The Bank of Commerce and its mode of operation is not before the committee. What is now before the committee is section 3 of this bill.

Mr. McGEER: Yes, but the point is this—

The CHAIRMAN: I think Mr. McGeer is within his rights in making a reasonable comparison with the Bank of Commerce or the Bank of England, if it is desirable.

Mr. McGEER: Surely if we have two documents before us, of one company that wants 24 per cent—

Mr. VIEN: If Mr. McGeer will allow me to interrupt for just a minute, I would move that when we adjourn to-night, we should adjourn until 10.30 to-morrow morning.

Hon. Mr. STEVENS: Let us adjourn now.

Mr. MARTIN: Oh, no.

Hon. Mr. STEVENS: I am not through yet.

Mr. VIEN: No, I understand; we are willing to continue. I am not suggesting that we should adjourn now, but I would suggest that when we adjourn to-night we should adjourn until to-morrow morning at 10.30.

The CHAIRMAN: Is that a motion?

Mr. MARTIN: Yes.

Mr. TUCKER: I do not think it is a proper motion.

The CHAIRMAN: I doubt if it is.

Mr. TUCKER: I rise to a point of order. I submit that we have a motion before us, Mr. Chairman; a motion like this of a qualified adjournment is not in order, and I ask you to rule it out of order.

Mr. VIEN: It is being done in the House of Commons constantly.

The CHAIRMAN: By arrangement.

Hon. Mr. STEVENS: With consent.

Mr. VIEN: Not by consent.

Hon. Mr. STEVENS: It must be on consent, always.

Sir EUGENE Fiset: I do not think it is done in the House of Commons before the business of the house is disposed of.

Hon. Mr. STEVENS: No.

Mr. VIEN: If I am not in order, I will withdraw my motion. Let us carry on.

Mr. HOWARD: Clause 3.

Mr. WARD: Some of us have some mail to attend to in the morning. Our mail is piling up in our office because of the pressure of work. If we are going to be able to get up in the morning in time to get down here to meet at 10.30 or 11 o'clock after having disposed of our other work, surely we are not going to sit here all night.

Mr. MARTIN: Surely we are not going to be unfair to this company.

Mr. WARD: Why not let us get home and get a little sleep?

Mr. MARTIN: Speak to Mr. McGeer.

Mr. HOWARD: Clause 3.

Mr. WARD: The members are getting on edge now.

Mr. MARTIN: Hear, hear.

Mr. HOWARD: Clause 3.

Mr. McGEER: There are lots of things that have been hurried into before that members have regretted; and I for one—

Mr. VIEN: Threats, Mr. Chairman, are out of order.

Mr. MARTIN: That is his long suit.

Mr. McGEER: Clause 3, my good friend, the member for Sherbrooke suggests, proposes several things. I understand one thing that might make it a lot better, and that is that this company—at least, I understand from Mr. Martin—are ready to reduce the amount which they are to be allowed to loan.

Mr. MARTIN: No, do not quote me.

Mr. McGEER: From \$500 to \$300.

Mr. MARTIN: Do not quote me; quote the evidence.

Mr. McGEER: What I think is this, that a good deal of the objection to certain phases of the bill would be eliminated if the amount allowed as loanable by this company were reduced to \$300. There is a very good reason for that, Mr. Chairman, in that this type of legislation is not passed by parliament for the purpose of promoting a commercial loaning enterprise. All of this type of legislation is confined to what is commonly known as a remedial measure which improves a situation which exists.

Mr. HOWARD: Hear, hear.

Mr. McGEER: The victims of this type of borrowing are largely people who need comparatively small amounts of money. If a company is licensed and under supervision, the argument justifying the legislation which brings it into being is that it is better to have that type of company operating than an unlicensed, unregulated company. Now, if you confine the company's operations to the smaller amounts of \$300 and under, you intensify the competition of a legitimate company with the company operations or operations of the unregulated, unlicensed, uncontrolled operator who exploits at higher rates of interest. But if you allow companies to go into the business of loaning up to \$500, the tendency is, according to the Russell Sage reports and others that I have read, for them to move into the higher brackets and leave the smaller less profitable loans to exploitation. We have got some evidence of that here, because as I understood from Mr. Finlayson and from Mr. Reid, the exploiting company is still operating; so much so that in the Province of Quebec the Money Lenders Act is violated so openly and so flagrantly that this company feels that it could not go into the Province of Quebec and compete.

Mr. MARTIN: Why make a statement like that?

The CHAIRMAN: Order, please. Do not interrupt. Let him finish.

Mr. McGEER: Was I wrong in some respect?

Mr. REID: Yes, in many respects.

Mr. McGEER: Was I wrong in that one?

Mr. REID: I will not take up your time; I do not want to interrupt. It is so much wrong that if I started, I would take a long time.

The CHAIRMAN: Order.

Mr. McGEER: If there is anything that I have said that is wrong, that Mr. Reid questions, I want to know what it is.

The CHAIRMAN: Go on, Mr. McGeer, and finish.

Mr. McGEER: I think I have given a fair interpretation of what he said.

Mr. REID: No. You are interpreting Mr. Forsyth's evidence.

Mr. McGEER: No.

Mr. RAIN: Yes.

Mr. McGEER: What I understood you to say before this committee; and I think the majority of the members will bear me out. I understood you to say that you were not operating in Quebec because you could not compete with the money sharks. That was the statement that was made and made by you.

Mr. MARTIN: Leave him alone.

Mr. McGEER: Are we going to go ahead and open the door again to a continuation of that kind of thing, or are we as a committee going to do something that is really going to be a remedy for the situation? I think, Mr. Chairman, that a careful examination of this particular bill, amending as it does an act which was on the statute books for several years, goes very far in making the money lending small loan business much worse than it was before or will be—

Mr. DUFFUS: I would like to ask Mr. McGeer a question.

The CHAIRMAN: Please let Mr. McGeer continue. He is anxious to get through.

Mr. DUFFUS: I would like to ask him a question.

The CHAIRMAN: He wants to get through. Wait a few minutes and then he will be through.

Mr. MARTIN: It is a good speech.

Mr. McGEER: I would be very glad to answer Mr. Duffus' question.

Mr. DUFFUS: I would like to ask it.

Mr. McGEER: And there is no reason why you should not.

The CHAIRMAN: All right, Mr. Duffus, if you insist, and Mr. McGeer insists.

Mr. DUFFUS: Does the hon. gentleman know the rate of interest that Mr. Forsyth recommended on loans less than \$100? Do you know the amount that he recommended?

Mr. MARTIN: No; he would not have an idea.

Mr. McGEER: I think it is in the record.

Mr. DUFFUS: Mr. Forsyth's recommendation was 3 per cent per month.

Mr. McGEER: If Mr. Forsyth has made any recommendation of that kind, I would certainly be the first to say that there should be no consideration given to it. I want to say further that there has been a good deal of loose talk about Mr. Forsyth being my witness. I have no more interest in Mr. Forsyth than I have in the Bank of Commerce or this particular company.

Mr. CLEAVER: Other than moving a resolution that he should come here.

Mr. McGEER: Yes; I moved a resolution that officials of the Bank of Commerce should come here.

Mr. VERN: And reading his memorandum to the committee.

Mr. McGEER: And reading his memorandum to the committee because he did say that on the higher loans this bill purported to make a general increase, and was actually raising the cost to the borrower. If that evidence was true I wanted Mr. Forsyth to give it. Now, if in the course of that evidence Mr. Forsyth has given some other evidence, I am not concerned about it. I called Mr. Forsyth to prove that this bill was actually increasing the rate of interest on the higher loans. He proved that point and as far as I am concerned that is all he was called to prove. If he has made some other statement I am not concerned about that. What he did say is this, and I do not think it can be controverted: when you move into money lending activity such as this bill proposes at a rate of 24 per cent—

Mr. HOWARD: No, 2 per cent per month.

Mr. McGEER: 2 per cent per month my friend says. It totals up to 26·28 per cent.

Mr. HOWARD: Not if he paid it back in three months.

Mr. McGEER: You have had enough experience; I think you ought to know. When we consider this bill going wide open on a \$500 loan with a \$5,000,000 corporation, where are we going?

Mr. MARTIN: That is what I would like to know.

Mr. McGEER: Where are we going as a parliament and where are we going as a committee if we recommend the passage of that kind of legislation?

Mr. MARTIN: To sleep.

Mr. McGEER: It is rather strange that we should have the leader of a party in power quoting to us that ever to be remembered admonition which is found in Hamlet: "Neither lender nor borrower be." And then come in to a committee and promote, I venture to say, the most extravagant legislation that could be found upon the statute books of any country of the world, giving to this company powers that no other company in the world enjoys, to exact rates of interest that must be condemned as usurious and violating every principle of law with regard to money lending that has ever been enacted in any legislative assembly in the Dominion of Canada or by the parliament of this Dominion. Yes, we can go ahead with that kind of thing and we can be recklessly indifferent to public opinion. If we pass this type of legislation we are putting the Dominion of Canada in the course that has brought every nation to disaster and this type of legislation will bring this nation to disaster. It is all very well to say that we are out to remedy the situation, out to remedy a situation by condoning the application of a company that if I read the law correctly in the decision of one court to which the matter has been submitted, if I read the law correctly, has violated its legal rights and charged a rate 50 per cent in excess of that to which it was entitled. You ignore that. Yes, a hundred per cent in excess of what the law allows. You ignore that and then move to create that type of illegality by not merely conforming to the 14 per cent but by going down the line to give a higher rate of interest than ever was offered by any parliament and by law, not only in a British country, but in any other country in the world.

Now, gentlemen, you can do that kind of thing by weight of majority, but I do not think it was the kind of thing that I was elected by the people of my constituency to come here and support. On the contrary I am satisfied that that was the very thing that I was elected to come here and oppose. We can go forward with this kind of thing, but there will be no applause. When I see the opportunity to go into the matter, to get the evidence of responsible people in this business, and that refused, then the situation gives me cause for alarm. Most of us who look about us in the world to-day see more of trouble and disagreement ahead of us than peace, more of internal strife ahead of us than ordered progress, more of a heavier and insistent demand for equity and social justice that has obtained before. Yet we propose to do this kind of thing. I venture to say it is not a laughing matter, Mr. Chairman.

The CHAIRMAN: I have not observed anybody laughing.

Mr. McGEER: And it is not a matter that we can pass over lightly. We have been accused, because we have opposed this measure, of putting on a show, of putting on a performance and being indifferent to our public duty. I am ready to be judged by public opinion as to whether or not we were right in asking for the most complete investigation and fullest information that could be placed before us before we came to a final decision on this bill. Let me say that this investigation has been a farce.

Mr. MARTIN: Hear, hear.

Mr. McGEER: Those of us who have tried to bring the facts out and who have asked that witness be called, and have asked for a proper examination, have been thwarted at every turn. Well, Mr. Chairman, that kind of thing can go on. While I regret it in soul I do not regret that it has been associated with this type of legislation, because this is the type of legislation with which you expect to have associated that particular type of tactics. When this bill passes and goes into the house it is something more than the work of a mere committee. We have taken the principle of controlling the rate of interest and swept it out of our legislative consideration on the ground that because the law restricting the rate, including all charges, to 12 per cent, has never been enforced by any authority competently set up to enforce it. Upon that ground we say we are going to legalise a rate of 24 per cent. To me that kind of legislation would be almost tantamount to saying that because you cannot control and prevent burglary the proper thing to do is to put burglary under a licence and to bonus the burglar provided he does not burglarise too much.

Mr. LANDERYOU: Subsidize these fellows.

Mr. McGEER: Subsidizing illegality, meeting the demand for law enforcement not with the strict discipline of constituted authority but with a gift of what parliament has declared to be immoral and legally wrong. Now, I know that there are many trying circumstances, and people in desperate circumstances need money. But what a terrible indictment it is upon the Dominion of Canada for us as the committee on banking and commerce to say that that appalling tragedy of destitution has now risen to a point in the Dominion where it is necessary to promote, to assist and aid a \$5,000,000 corporation to go into that business. Is that the remedy? Where is it going to stop? The Minister of Finance came before us and informed us that he proposed to move towards remedial activity at the next session of parliament. Then, what right has this committee or this parliament to establish a \$5,000,000 corporation and to legalize what one court has already declared illegal and to create a vested right, because you cannot pass this bill with the evidence we have already received without giving foreign capital, from the highest legislative authority in the land the legal rights which you have no right to take away unless conditions are different next year from what they are today. Is anyone going to assume for a moment that conditions are going to change? Upon what ground can you say to this company next year if it complies with the law that you pass that you have the right to wreck its organization, to destroy it? Surely the proper thing to do in these circumstances is to delay the enactment of legislation until such time as investigation has been made, when the needs of the borrower as well as the lender can be properly taken into consideration. I know it has been said that we must have some security for the borrower against the money shark. Well, Mr. Chairman, surely that security is in setting up the proper law enforcement authorities in a proper measure of co-operation between the dominion and the provincial authorities, and wiping out for ever the curse of that type of thing, if it is anything like the curse that has been presented to us before this committee.

Hon. Mr. STEVENS: Hear, hear.

Mr. McGEER: But faced with that necessity, what do you propose to do? You do not propose to remedy anything. This proposed remedy, Mr. Chairman, is based on a doubtful premise. First, you say that this company is entitled to charge a higher rate than you are going to legalize. Some of us say this company has no right in law to make but 50 per cent of that charge, and that matter has not been determined by the Department of Justice or finally by our courts. But you propose upon that chimerical assumption, upon that foundation of doubt and misgiving, to legalize a rate of 24 per cent, and hon. gentlemen smile. I do not think it is a smiling matter. But I go further.

No one ever suggested to my knowledge that the Money Lenders Act was not set as a guide, and, yet, as I read the decision in the Jackson case, the court found that because the rate of interest alone was not much more than 12 per cent there was not anything wrong with it; but to get that conclusion the court had to ignore the service charges and did ignore them; for if you put in the Jackson case the amount of the interest charge and the amount of the service charges together, as I figure them up, you have got a rate of over 19 per cent. The Money Lenders Act provided a maximum of 12 per cent for interest and all charges—not for the one. And yet we have heard an argument upon that falacious basis that this creates a better situation than existed. If I am right in my interpretation of the law, the maximum charge that this company can now exact for interest and services is this 7 per cent actually computed upon the amount in the possession of the user, and not doubled up as has been done.

There is another thing that you do: you invade the power of the provinces to intervene. There is one possible interpretation of this legislation, and that is that quite irrespective of what is levied for charges there is a gross rate of interest of 24 per cent. That gross rate of 24 per cent takes care of all charges. Therefore, no regulation or law that a provincial parliament could pass—

Mr. LANDERYOU: They could go in and take chattel mortgages in the province of Quebec.

Mr. McGEER: I think they could.

Mr. MARTIN: Of course, they cannot; that is absurd.

Mr. LANDERYOU: Why is it absurd?

Mr. MARTIN: Because the law does not allow it.

Mr. LANDERYOU: We are granting the right to do it.

Mr. MARTIN: Don't be nonsenical.

Mr. McGEER: They cannot take a chattel mortgage in the province of Quebec, but what they can do is this: they can go into the province of Alberta or British Columbia if this law is passed and charge 24 per cent interest, and you can pass a law in the province of Quebec limiting the charge for service which is within your jurisdiction in the province of Ontario, for the cost of drawing the document, and for everything else in the way of fees which the provinces have the right to say, and not withstanding those laws, under this act which you are proposing, they can still charge 24 per cent.

Hon. Mr. STEVENS: I would like to move, Mr. Chairman, that we adjourn; because I have given notice of a couple of amendments to the bill which is before you.

The CHAIRMAN: I think Mr. McGeer is almost finished.

Hon. Mr. STEVENS: I move we adjourn.

Mr. BAKER: How long will Mr. McGeer take?

Mr. McGEER: I propose to go into the constitutional phase.

The CHAIRMAN: Mr. Stevens has made a motion for adjournment. What is your pleasure?

(On a standing vote the motion was sustained.)

The committee adjourned to meet at 10.30, Tuesday, April 6.

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SESSION 1937
(HOUSE OF COMMONS)

(STANDING COMMITTEE)

ON

(BANKING AND COMMERCE)

MINUTES OF PROCEEDINGS AND EVIDENCE

Respecting

Bill No. 58 (Letter C of the Senate), An Act Respecting
Central Finance Corporation and to change its name to
Household Finance Corporation

No. 6



TUESDAY, APRIL 6, 1937

WITNESSES:

Mr. G. D. Finlayson, Superintendent of Insurance, Department of
Insurance, Ottawa.

Mr. Arthur P. Reid, Vice-President and General Manager, Central Finance
Corporation, Toronto.

REPORTS OF THE COMMITTEE.

WEDNESDAY, April 7, 1937.

The Standing Committee on Banking and Commerce begs leave to present the following as a **SIXTH REPORT**:

Your Committee has had under consideration Bill No. 58 (Letter C of the Senate), intituled: "An Act respecting Central Finance Corporation and to change its name to "Household Finance Corporation," and has agreed to report the said Bill with amendments.

A copy of the Minutes of Proceedings and Evidence taken in connection with the consideration of this Bill, is herewith appended to the report, for the information of the House.

All of which is respectfully submitted.

W. H. MOORE,
Chairman.

MINUTES OF PROCEEDINGS

COMMITTEE ROOM, 368,

TUESDAY, April 6, 1937.

MORNING SITTING

The Standing Committee on Banking and Commerce called to meet at 10.30 a.m. this day, did not secure a quorum at the hour named and by agreement between the Chairman and Mr. Stevens and other members present, it was decided to postpone the hour of meeting to 11.30 a.m.

The members present retired temporarily.

The Committee convened and was called to order with a quorum at 11.45 o'clock, a.m., with the Chairman, Mr. W. H. Moore presiding, and the following Members of the Committee present:—

Messieurs: Clark (*York-Sunbury*), Cleaver, Coldwell, Donnelly, Edwards, Fiset (Sir E.), Fontaine, Hill, Howard, Jacobs, Jaques Kinley, Kirk, Lander-you, Lawson, McGeer, Martin, Maybank, Moore, Plaxton, Stevens, Tucker, Vien.—(23).

In Attendance for call or information if required:—

Mr. G. D. Finlayson, Superintendent of Insurance;

Mr. Arthur P. Reid, Vice-President and General Manager of, and

Mr. Harold Walker, K.C., Counsel for, the Central Finance Corporation, Toronto;

Col. A. T. Thompson, K.C., Parliamentary Agent for the Bill 58 (C).

Clause 3 of Bill 58 (C) as amended, before the Committee.

Mr. Lawson moved: That the two Bills on the Order Paper for consideration, viz:—Bill 91 (Letter K-2), An Act respecting The Premier Trust Company, and Bill 95 (Letter L-2), An Act to incorporate the Canadian Mercantile Insurance Company, be now taken under consideration by the Committee and if non-contentious, report them to the House.

Motion carried.

Bill 91 (K-2) considered. Preamble and Clause 1 adopted without amendment, and ordered to be reported.

Bill 95 (L-2) considered. Preamble and Clauses 1 to 22 inclusive adopted without amendment, and ordered to be reported.

Committee reverted to consideration of Clause 3 of Bill 58 (C) as amended.

Mr. Tucker moved: That sections 3, 4, 5 and 6 of Bill 58 (C) be stricken out and the following substituted therefor:—

3. Where it is established to the satisfaction of the Minister of Finance that this Company has, subsequent to the passing of this Act, in respect of any loan or other transaction, charged, imposed or collected directly or indirectly interest and other charges of any kind, nature or description whatsoever, exclusive of fees disbursed for registration purposes amounting in the aggregate to more than two per centum per

month in the monthly balance owing by the Borrower, the Minister may recommend to the Governor-in-Council that the charter of the Company be forfeited.

Mr. Finlayson recalled to make a statement explaining effect of proposed clause.

Mr. Walker made a statement from the Company's standpoint.

Question on Mr. Tucker's motion:

Committee divided on a recorded vote—Yeas 7; Nays 14.

Motion declared lost.

TUESDAY, April 6, 1937.

AFTERNOON SITTING

The Committee resumed at 4.20 o'clock, p.m., with Mr. Moore, the Chairman presiding and the following members of the committee present:—

Messieurs: Baker, Clark (*York-Sunbury*), Cleaver, Donnelly, Edwards, Fiset (Sir E.), Fontaine, Hill, Howard, Jacobs, Jaques, Kinley, Landeryou, Lawson, Leduc, McGeer, Mallette, Martin, Moore, Raymond, Stevens, Tucker, Vien.—(23).

In Attendance for call or information if required:—

Mr. G. D. Finlayson, Superintendent of Insurance;

Mr. Arthur P. Reid, Vice-President and General Manager of,

Mr. Harold Walker, K.C., Counsel for, the Central Finance Corporation, Toronto;

Col. A. T. Thompson, K.C., Parliamentary Agent for the Bill 58 (C).

Chairman asked shall Clause 3 as amended be adopted?

Discussion.

Mr. Arthur Reid recalled.

Examined by Mr. Stevens.

Mr. Stevens asked that sample accounts be produced.

Question called on Clause 3, as amended.

Mr. Vien moved that Clause 3 as amended do now carry.

Mr. Stevens moved in amendment: That Clause 3 stand until the information requested be produced and that we proceed to consideration of balance of Bill.

Recorded Vote called for.

Committee divided—Years 7—Nays 12.

Further discussion.

Mr. Tucker moved: That Clause 3 be further amended by adding after the words "from month to month" in subparagraph (iv) the following words:—

of said charges not more than one-half of one per centum per month to be payable as interest on such loan and not more than one and one-half

per centum per month to be payable in respect of all expenses which have been necessarily and in good faith incurred by the Company in making such loan, such expenses to include (without excluding the generality of the foregoing) all charges and expenses for inquiry and investigation into the character and circumstances of the borrower, his co-maker or surety, for taxes, correspondence and professional advice, and for all legal and other actual expenses actually disbursed by the Company in connection with the loan.

Mr. Tucker's amendment taken under consideration by some members of the committee with Mr. Finlayson and the officers of the Company.

In order to consider the proposed amendment at greater length and to see if divergent views could find a solution and meet on common ground, it was decided that the committee adjourn to resume again at 9 o'clock, p.m., this day.

The committee adjourned.

TUESDAY, April 6, 1937.

EVENING SITTING

The committee resumed at 9 o'clock p.m.; the Chairman, Mr. Moore, presiding.

Members present—*Messieurs*: Baker, Clark (*York-Sunbury*), Cleaver, Coldwell, Deachman, Donnelly, Edwards, Fiset (*Sir E.*), Howard, Jacobs, Jaques, Kinley, Kirk, Lacroix (*Beauce*), Landeryou, Lawson, Leduc, McGeer, McLarty, Mallette, Martin, Moore, Quelch, Stevens, Tucker, Vien.—(26).

In Attendance:—

Mr. G. D. Finlayson Superintendent of Insurance, Ottawa;

Mr. Arthur P. Reid, Vice-President and General Manager, and

Mr. Harold Walker, K.C., representing the Central Finance Corporation;

Col. A. T. Thompson, K.C., Parliamentary Agent for the Bill.

Mr. Tucker spoke on his amendment.

Mr. McGeer moved in amendment to Mr. Tucker's amendment:

That after the words "against the borrower" add the words "a maximum aggregate charge."

Amendment accepted and adopted.

Amendment accepted and adopted.

Mr. McGeer submitted another amendment to Mr. Tucker's amendment: That at the end thereof the following words be added: "Provided, however, that no charge for expenses of any kind shall be made or collected unless the loan has been actually made or unless such loan has been renewed after one year from the making thereof, or after a year from the last previous renewal."

Recorded vote called for: Committee divided, yeas, 6; nays, 12.

Amendment declared lost.

Mr. Tucker's amendment put. Committee divided, yeas, 14; nays, 5.

Considerable discussion took place with respect to information Mr. Stevens had requested from the officers of the company and a motion had been negatived in that regard earlier in the day. Following the discussion, Mr. McGeer

moved: "That the company's officials be requested to produce the information requested by Mr. Stevens, namely, a number of the company's records of loans actually made to citizens in Ottawa and which are indicated by numbers."

The Committee divided, yeas, 5; nays, 12.

Mr. Stevens moved in amendment to Clause 3, as amended: "That the word 'five' in the second line thereof be struck out and the word 'three' substituted therefor."

Committee divided, yeas, 5; nays, 10.

The question called on Clause 3, Section 3, as amended.

Committee divided, yeas, 10; nays, 6.

Declared adopted.

Mr. Stevens moved that the Bill be further amended by adding thereto a section to be section 4, as follows:—

The Company shall not advertise, print, display, publish, distribute or broadcast or cause or permit to be advertised, printed, displayed, published, distributed or broadcast in any manner whatsoever any statement representation with regard to the rates, terms or conditions for the lending of money, which is false, misleading or deceptive. The Superintendent of Insurance may order the Company to desist from any conduct which is in violation of the foregoing provisions and may require that rates of charge, if stated, shall be stated fully and clearly to prevent misunderstanding thereof by prospective borrowers.

Amendment adopted.

Mr Stevens proposed another amendment as another Clause to the Bill as follows:—

If the Company shall, in respect of any transaction of loan, wilfully or by an established method of business, directly or indirectly charge, impose upon or demand or receive from or through any borrower any charge whether or not including any interest or rate of interest in excess of the amount or rate authorized by this Act, the Company shall, in addition to its liability to any other penalty or to any other consequence, otherwise provided, be liable to be wound up and to be dissolved if the Attorney General of Canada, upon receipt of a certificate of the Superintendent of Insurance setting forth his opinion that the Company has so charged, imposed, demanded or received, applied to a court of competent jurisdiction for an order that the Company be wound up under the provisions of the *Winding-Up Act*, which provisions shall in such case apply to the Company, as nearly as may be, as if it were an insolvent insurance company.

Amendment adopted.

Mr. Vien moved that the Bill, as amended, be reported to the House.

Objected to. Committee divided, Yeas, 13; Nays, 6.

Ordered that Bill be reported as amended.

Mr. Vien moved that the Bill be reprinted.

Carried.

Ordered,—That the Bill be reprinted.

By general consent the Committee adjourned.

E. L. MORRIS,
Clerk of the Committee.

(See following pages for details of recorded divisions.)

Recorded divisions in Committee during the consideration of Bill No. 58 Letter C of the Senate), intituled: "An Act respecting Central Finance Corporation and to change its name to 'Household Finance Corporation'."

TUESDAY, March 30, 1937.

Motion by Mr. Vien: That Clause 1 Carry—

Yeas:—Messrs.: Clark (*York-Sunbury*), Cleaver, Deachman, Donnelly, Edwards, Lawson, Leduc, Mallette, Martin, Vien—10.

Nays:—Messrs.: Landeryou, McPhee, Quelch, Stevens, Tucker, Ward—6.

(See page 68 of Minutes of Proceedings and Evidence for details.)

WEDNESDAY, March 31, 1937.

Question by Mr. Tucker: To strike out Clause 2—

Yeas:—Messrs.: Coldwell, Leduc, Stevens, Tucker, Ward—5.

Nays:—Messrs.: Baker, Clark (*York-Sunbury*), Cleaver, Deachman, Donnelly, Edwards, Jacobs, Kinley, Martin, Vien—10.

(See pages 73-75 of Minutes of Evidence for details.)

WEDNESDAY, March 31, 1937.

Motion by Mr. Cleaver: To Amend Clause 2—

Yeas:—Messrs.: Baker, Clark (*York-Sunbury*), Cleaver, Coldwell, Deachman, Donnelly, Edwards, Fontaine, Hill, Jacobs, Martin, Quelch, Vien—13.

Nays:—Mr. Stevens—1.

(See page 93 of Minutes of Evidence for Details.)

WEDNESDAY, March 31, 1937.

Mr. Cleaver's motion that Clause 2 be adopted as amended—

Yeas:—Messrs.: Baker, Clark (*York-Sunbury*), Cleaver, Deachman, Donnelly, Edwards, Fontaine, Hill, Jacobs, Martin, Vien—11.

Nays:—Messrs.: Coldwell, Leduc, Quelch, Stevens—4.

(See page 93 of Minutes of Evidence for details.)

WEDNESDAY, March 31, 1937.

Mr. Martin's motion to strike out Clauses 3, 4, 5 and 6, and substitute therefor a new Clause 3.

Mr. Stevens claimed new Clause not in order.

Chairman ruled new Clause 3 in order.

Mr. Stevens appealed from Chairman's ruling.

The Committee divided.

Yeas:—Messrs.: Baker, Clark (*York-Sunbury*), Cleaver, Deachman, Donnelly, Edwards, Kinley, Macdonald (*Brantford*), Mallette, Martin, Vien—11.

Nays:—Messrs.: Coldwell, Quelch, Stevens, Tucker, Woodsworth—5.

(See pages 95-101 of Minutes of Evidence for details.)

THURSDAY, April 1, 1937.

Mr. Landeryou's motion to adjourn until decision from Law Officers of the Crown obtained. Recorded vote asked.

Committee divided.

Yeas:—Messrs.: Coldwell, Landeryou, Quelch, Stevens, Tucker—5.

Nays:—Messrs.: Baker, Clark (*York-Sunbury*), Cleaver, Donnelly, Dunning, Deachman, Edwards, Jacobs, Lawson, Mallette, Martin, Vien, Ward—13.

(See pages 168-169 of Minutes of Evidence for details.)

THURSDAY, April 1, 1937.

Mr. McGeer's motion to bring Law Officers of the Crown for decision.

Mr. Lawson on point of order.

Chairman, ruled point of order well taken.

Mr. McGeer appealed from ruling.

Committee divided equally.

Yeas:—Messrs: Baker, Cleaver, Deachman, Howard, Jacobs, Lawson, Martin, Plaxton, Vien.—9.

Nays:—Messrs: Coldwell, Hushion, Kirk, Lacroix (*Beauce*), Landeryou, McGeer, Quelch, Stevens, Tucker.—9.

The Chairman voted Yea. *Ruling sustained.*

(See page 199 of Minutes of Evidence for details.)

MONDAY, April 5, 1937.

Mr. Landeryou reading documents.

Rule 293 (1).

On Chairman's ruling.

Yeas:—Messrs: Baker, Clark (*York-Sunbury*), Cleaver, Deachman, Edwards, Fiset (Sir Eugene), Hill, Howard, Jacobs, Martin, Plaxton, Vien.—12.

Nays:—Messrs: Coldwell, Jacques, Landeryou, McGeer, Mallette, Quelch, Stevens, Tucker, Ward.—9.

(See Minutes of Evidence of Monday, April 5 for details.)

MONDAY, April 5, 1937.

Motion by Mr. Stevens.

Bringing witness from Bank of Commerce.

Yeas:—Messrs: Coldwell, Landeryou, McGeer, McLarty, Mallette, Quelch, Stevens, Tucker.—8.

Nays:—Messrs: Baker, Clark (*York-Sunbury*), Cleaver, Deachman, Donnelly, Edwards, Fiset (Sir Eugene), Hill, Jacobs, Martin, Ross (*Middlesex E.*), Vien.—12.

(See Minutes of Evidence of Monday, April 5, for details.)

TUESDAY, April 6, 1937.

Mr. Stevens' amendment to motion that clause 3 carry—

Yeas:—Messrs: Jaques, Landeryou, Leduc, McGeer, Quelch, Stevens, Tucker.—7.

Nays:—Messrs: Baker, Clark (*York-Sunbury*), Cleaver, Donnelly, Edwards, Sir E. Fiset, Jacobs, Kinley, Lawson, Mallette, Martin, Vien.—12.

(See Minutes of Tuesday, April 6, for details.)

TUESDAY, April 6, 1937.

Mr. McGeer's motion respecting sample accounts to be produced.

Yeas:—Messrs: Jaques, Landeryou, McGeer, Stevens, Tucker.—5.

Nays:—Messrs: Baker, Clark (*York-Sunbury*), Cleaver, Deachman, Donnelly, Edwards, Sir E. Fiset, Jacobs, Kinley, Mallette, Martin, Vien.—12.

(See Minutes of Evidence of April 6, 1937, for details).

Mr. Stevens' amendment to motion that clause 3 carry.

Yeas:—Messrs: Jaques, Landeryou, Leduc, McGeer, Quelch, Stevens, Tucker.—7.

Nays:—Messrs: Baker, Clark (*York-Sunbury*), Cleaver, Donnelly, Edwards, Sir E. Fiset, Jacobs, Kinley, Lawson, Mallette, Martin, Vien.—12.

(See Minutes of Evidence, Tuesday, April 6, for details.)

TUESDAY, April 6, 1937.

Mr. Tucker's amendment to amendment of clause 3.

Yeas:—Messrs: Baker, Clark (*York-Sunbury*), Cleaver, Deachman, Donnelly, Edwards, Sir E. Fiset, Howard, Jacobs, Lawson, Mallette, Martin, Tucker, Vien.—14.

Nays:—Messrs: Jaques, Landeryou, McGeer, Quelch, Stevens.—5.

(See Minutes of Evidence for April 6, for details).

TUESDAY, April 6, 1937.

Mr. Stevens' motion to substitute 3 years for 5 years.

Yeas:—Messrs: Jaques, Landeryou, McGeer, Stevens, Tucker.—5.

Nays:—Messrs: Baker, Clark (*York-Sunbury*), Cleaver, Deachman, Donnelly, Edwards, Sir E. Fiset, Jacobs, Martin, Vien.—10.

(See Minutes of Evidence of April 6, 1937, for details).

TUESDAY, April 6, 1937.

On clause 3, section 3, as amended.

Yeas:—Messrs: Baker, Clark (*York-Sunbury*), Cleaver, Deachman, Donnelly, Edwards, Sir E. Fiset, Jacobs, Martin, Vien.—10.

Nays:—Messrs: Jaques, Landeryou, McGeer, McPhee, Stevens, Tucker.—6.

(See Minutes of Evidence of Tuesday, April 6, for details).

TUESDAY, April 6, 1937.

Motion to report the bill.

Yeas:—Messrs: Baker, Clark (*York-Sunbury*), Cleaver, Deachman, Donnelly, Edwards, Sir E. Fiset, Jacobs, Kirk, McLarty, Mallette, Martin, Vien.—13.

Nays:—Messrs: Jaques, Landeryou, Leduc, McGeer, Stevens, Tucker.—6.

(See Minutes of Evidence of Tuesday, April 6, for details).

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 368,

April 6, 1937.

The Standing Committee on Banking and Commerce met at 11.30 a.m. Mr. W. H. Moore, the chairman, presided.

The CHAIRMAN: Gentlemen, we have a quorum.

Hon. Mr. LAWSON: Mr. Chairman, preceding the continuance with this bill, I should like to crave the indulgence of the committee for a moment. I understand there are two other bills before the house. I am not the sponsor of either and I have no particular information about either, except that other members of the house who are sponsoring them have spoken to me and they tell me that they cannot conceive of anything in them that is contentious.

Mr. JACOBS: They do not know this committee.

Hon. Mr. LAWSON: I was going to make the suggestion that if the committee would be good enough to hear those other two bills, if it turns out that they are contentious, I will undertake to immediately move that further consideration of them be deferred until this one is completed. Subject to my undertaking, Mr. Chairman, I would move that the committee proceed now with the consideration of the other two bills that are before us.

Hon. Mr. STEVENS: Proceed.

Mr. HOWARD: Carried.

The CHAIRMAN: Distribute the bills.

The Committee proceeded to consider bills K and L of the Senate.

The CHAIRMAN: Gentlemen, we now return to Bill C. Before we begin with Bill C, may I as chairman make a suggestion. In the mind of the chairman, at any rate, it is useless to report this bill to the house and expect action unless we come to a conclusion this morning. Is it the disposition of the committee to have a vote this morning? Otherwise there is not any chance of the bill going through the house, in the opinion of the chairman, and we are rather unnecessarily devoting time to a matter which is futile. We might as well face the situation. It seems to me it would be advisable to have the disposition of the committee as to a vote upon the matter this morning. If it is the disposition of the members of the committee not to vote this morning, then we should consider what report we shall make to the house. I think we should make a report to the house this afternoon.

Hon. Mr. LAWSON: Mr. Chairman, when you say "the disposition of the committee," if that means the majority of the committee, from what I have been able to observe since sitting in this committee on this bill I think the disposition of the majority is to have a vote on it and to have it reported to the house and let the house decide what is going to be done with it.

Hon. Mr. STEVENS: Mr. Chairman, I again bring back to your attention and the attention of the committee that when this bill was referred to the committee, and when there were some of us who took exception on the second reading to the adoption of the principle of the bill, the argument was advanced—and accepted by many members of the house who were opposed to the principle of the bill—that it should be referred to this committee for consideration and for study; and that the committee could study, in addition to the two bills, the whole question of this system of the lending of money. My view is that, if we

simply do as Mr. Lawson has suggested, because a majority of the members of this committee favour reporting this bill, then we are not doing what the house delegated to us to do. While I am not going to stand up and say that we are going to obstruct the bill—that is not the point—I do say this, that the members of the committee have a constitutional right and a right under the rules of the house and the rules governing the committee, to exercise their own judgment to the limit of their powers within the rules, to examine into this business; and as far as I am concerned, I am not prepared now to say that I am prepared to vote.

Mr. VIEN: What is the question before the chair, Mr. Chairman?

The CHAIRMAN: The question before the chair that I have raised is as to whether or not we are prepared to vote this morning; or if we are not prepared to vote, then what report shall we make to the house?

Mr. MARTIN: But what is the question?

The CHAIRMAN: I am asking for an expression of the members' opinion. Mr. Stevens has given his opinion.

Mr. VIEN: What I had in mind, Mr. Chairman, to ask was what is before the chair?

The CHAIRMAN: Section 3 as amended.

Mr. VIEN: Section 3 as amended. The committee are ready for the question.

The CHAIRMAN: Very obviously the committee is not ready for the question, because Mr. Stevens says he has further comments to make. That being so, if those comments are going to exhaust the time of the committee this morning we ought to consider what kind of report we are going to make to the house.

Mr. VIEN: Could we not carry on with that? I for one would say that the Hon. Mr. Stevens, in my opinion, has not abused the time of the committee. I am quite satisfied of that. I am not suggesting that any of the members have abused the time of the committee. I am simply saying that what you have drawn to our attention is proper, Mr. Chairman—that it is the duty of the committee to report to the house; for the house to take whatever proper action it deems fit. Therefore, the question before the chair is section 3 as amended. Are we ready for the question? If not, we might proceed with the discussion for some time yet. The house will be sitting to-night.

Mr. JACOBS: You are a terrible man for punishment, Mr. Vien.

Mr. VIEN: For punishment? I do not like to punish anyone other than myself. But I would suggest that it might be in order to hear that. With this intimation, Mr. Chairman, from the chair, I am sure that hon. members will do their best to deal with this matter as their consciences dictate and with a view to enabling the house to report in due course—some time to-day.

Mr. HOWARD: Mr. Chairman, I was going to say that it seems to me now that the committee has made a study of this bill in almost all its phases. I would like very much to make a speech of an hour before the committee and expose my viewpoint on the thing—

The CHAIRMAN: Proceed, Mr. Howard.

Mr. HOWARD: —as has been done. But I do not think that is the duty of this committee. If Mr. Stevens speaks and other hon. members speak, and I speak for an hour, we will not get anywhere. It seems to me that this committee is to get information on this subject and use their judgment in voting on the question of whether the bill shall be reported to the house or not. If anybody has any questions to ask, I think it is perfectly right that we get the answers. But if we start in, each one of us, to make our speeches and expose our personal views—I do not think that is what the committee is called for.

Mr. DUFFUS: Mr. Chairman, I confess I am fairly young in the matter of committee procedure. I concur with what the hon. member Mr. Stevens has said, that the opinion of the house, as expressed by the vote, was that the bill should be thoroughly discussed and considered by this committee. I do not know whether it is the policy of a committee to recommend to the house—and consequently, I do not know whether it is the usual procedure for a committee, when it does not agree with the matter *in toto*, to make some other recommendation. I came here in the first place all geared up; and, I presume like the other members of the committee, I am now pretty well tuckered out. I am disappointed. I am thoroughly disappointed that the discussion has all been against the bill, or nearly all against the bill, with no contrary proposal. I think after having discussed the matter for almost two weeks from day to day, if we cannot come to an agreement, surely we are not going to disperse without making a recommendation. That, I think,—if it is in order—would be extremely regrettable, that we should spend this amount of time on this bill and on this loaning problem in general without making some recommendation, even if we cannot come to a unanimous or a reasonably unanimous opinion.

Mr. CLEAVER: Mr. Chairman, following along from your remarks, I do think that the time is now getting so short that we must face the facts, and that there is a strong minority of this committee who, if they felt so inclined, could continue to delay the vote not only in this committee but in the house; that there is not going to be much gained by continuing further the agony either to Mr. McGeer or to the committee that went on last night. I have a motion to suggest by way of a compromise motion. I suppose that very few will agree with it, but I am going to make the suggestion anyway.

The CHAIRMAN: Is it a motion or just a suggestion.

Mr. CLEAVER: It is in the form of a motion.

The CHAIRMAN: All right.

Mr. CLEAVER: I have written it since you made your remarks, Mr. Chairman, and I have shown it only to the superintendent of insurance and to my friend Charlie Howard. The motion is: "That inasmuch as some members of this committee contend that the passing of Bill No. 58 might create vested rights which might embarrass parliament next year in the investigation of the general problem of small loans, which investigation has been indicated by the Minister of Finance for next year, we do refrain from now recommending this bill; and that we do further suggest to the superintendent of insurance that no change in the attitude of the department should be made until the conclusion of the proposed investigation next year." That is, that licences should issue and that the matter should remain as is until the investigation is completed.

Mr. LANDERYOU: I am absolutely opposed to that attitude. I believe that the attitude of Mr. Finlayson has been correct, in fighting to bring their charges down to 2 per cent; at least, they can do that within the law as they have it now in the charter. They could reduce their charges. I do not believe that we should support that resolution.

Mr. MARTIN: Mr. Chairman, I am inclined to agree with Mr. Landeryou for once, because Mr. Finlayson has, for many years now, been endeavouring to bring the rate down to the flat rate of 2 per cent. While I am on my feet, I might suggest that any disposition to prevent this matter from reaching the house or possibly being passed by the house will have the effect of permitting this company to continue at the higher rate of $2\frac{1}{2}$ per cent. In the meantime the position would be that Mr. Finlayson would likely conceive it to be his duty to have the matter litigated. In that event, no final disposition could be made, certainly until a year's time, because the necessary proceedings in the courts would take that long; and we would be placed in the position of having permitted by our act, well-meaning as it may have been, this company to

continue operating at the rate of $2\frac{1}{2}$ per cent instead of at the rate which the superintendent of insurance now wants, and which the company concurs in, of 2 per cent. That is the serious position that we are placed in.

I also suggest, as an endeavour to try to expedite it, that Mr. Stevens wishes to make a statement. He says it is not going to be long. He certainly has not abused the privileges of this committee and I think he should be allowed to make his observations.

Mr. LANDERYOU: We are not giving these companies the right to charge $2\frac{1}{2}$ per cent. If they have charged $2\frac{1}{2}$ per cent and it is illegal, they are doing that upon their own responsibility; and if it is a matter of litigation, that is also on their own responsibility. We are not giving them the right to charge $2\frac{1}{2}$ per cent.

Mr. VIEN: That is correct.

Mr. MARTIN: What we are pointing out is if this bill should not receive a measure of finality, the result is that the company can go on—and undoubtedly will—charging $2\frac{1}{2}$ per cent. My interest is to do my best to see that they charge the rate which Mr. Finlayson has been endeavouring to obtain for some time.

Mr. TUCKER: Following along what Mr. Martin has said, and concurring with the first part of Mr. Cleaver's motion, I would suggest a compromise to the whole thing. Apparently the only objection made to Mr. Cleaver's motion is that he suggests that no change be made. Mr. Martin would like to see a change made in that this company be forced to reduce their rate to 2 per cent per month. It should be quite possible to compose these differences. I would suggest that the first part of Mr. Cleaver's motion that we refuse to recommend this bill apparently meets with the support of most of the members of the committee. We might also recommend or actually adopt a clause—and put it in this charter and also recommend that it be inserted in the bill we have already reported to the house—along the lines of Section III of Chapter 56 of 24-25, George V. I will just read that to the committee. We could recommend that that amendment be inserted in this act, and I would suggest—

The CHAIRMAN: Is this an amendment to Mr. Cleaver's motion?

Mr. TUCKER: Yes; in place of the last clause of Mr. Cleaver's amendment. "We might further suggest to superintendent of insurance," I would suggest that we insert the following clause in this bill—

Mr. CLEAVER: But, Mr. Tucker, my resolution was a compromise resolution because, while I feel just as strongly as I have ever felt that the proposed bill is a move in the right direction and should be passed, I realize that it cannot be passed this session now. Now, your proposed amendment to my resolution is that we pass the bill and put some other clause in it. That is not my resolution at all.

Mr. VIEN: We might, Mr. Cleaver, say whether or not Mr. Tucker's motion is another compromise that might be acceptable.

Mr. TUCKER: What I was going to suggest is this, that we actually suggest to the house that we report the bill in this form. We do not change any of the rates at all but we put a limit on them at 2 per cent. That is what they are asking for, and that is what I would be in favour of. They come to parliament, Mr. Chairman, saying that they want to have their monthly rate reduced to 2 per cent from $2\frac{1}{2}$ per cent, the top limit that is fixed by the Loan Companies Act. I would suggest that we decide not to recommend the bill in its present form but that we pass two clauses and also pass a third clause something to this effect:—

Where it is established to the satisfaction of the Minister of Finance that this company has, subsequent to the passing of this Act, in respect

of any loan or other transaction, charged, imposed or collected, directly or indirectly, interest and other charges, of any kind, nature or description whatsoever, exclusive of fees disbursed for registration purposes, amounting in the aggregate to more than two per centum per month on the monthly balance owing by the borrower, the Minister may recommend to the Governor in Council that the charter of the company be forfeited.

The CHAIRMAN: Is that an amendment or a substitute resolution?

Mr. TUCKER: I would move that as an amendment to Mr. Cleaver's motion.

Mr. CLEAVER: I will withdraw my motion. You can make yours as an original motion.

Mr. TUCKER: All right; I would move that it be substituted as clause 3 of the bill and the bill be reported.

The CHAIRMAN: Will you let us have a copy of your resolution, Mr. Tucker?

Mr. TUCKER: I thought I had read it.

The CHAIRMAN: May we have it?

Mr. VIEN: What would Mr. Finlayson say about that?

Mr. FINLAYSON: I should like to see it, and should like to know what it is being tagged onto.

Mr. TUCKER: Clause 3 of the bill.

Mr. VIEN: Clauses 3, 4, 5 and 6 are dropped and this section substituted in lieu thereof.

Mr. TUCKER: On the printed bill, clause 3 instead of this other.

Mr. VIEN: Instead of the substitution, the following clause.

Mr. TUCKER: Yes.

The CHAIRMAN: Now, for the convenience of the committee will you again read your resolution?

Mr. TUCKER: It will read like this, Mr. Chairman: that bill 58 be amended by striking out sections 3, 4, 5 and 6 thereof and by substituting the following therefor: Where it is established to the satisfaction of the Minister of Finance that this company has, subsequent to the passing of this Act, in respect of any loan or other transaction, charged, imposed or collected, directly or indirectly, interest and other charges, of any kind, nature or description whatsoever, exclusive of fees disbursed for registration purposes, amounting in the aggregate to more than two per centum per month on the monthly balance owing by the borrower, the Minister may recommend to the Governor in Council that the charter of the company be forfeited.

Mr. JACOBS: You agree with the principle of the bill?

Mr. TUCKER: They come to parliament and say they want us to change the rates to 2 per cent per month, and I say that as far as I am concerned, if it has the effect of reducing—they can charge up to $2\frac{1}{2}$ per cent now—the rate to 2 per cent per month, it is an advantage. We are not in any way validating what has been done in the past or interfering with it.

The CHAIRMAN: May I have a copy of your resolution?

Mr. DONNELLY: Mr. Tucker, do I understand that they will have the right to operate under the same charter as they are operating under now except that they will charge 2 per cent instead of $2\frac{1}{2}$ per cent?

Mr. TUCKER: My understanding is this, Mr. Chairman: they have the right to charge 7 per cent per annum; they have the right to charge 2 per cent discount; they have the right to charge for mortgage disbursement. We have claimed that they have the right only to charge on that basis 7 per cent per

annum, but we are not passing on that now. What we say is if you have a legal right to run the rates up you cannot run them up above 2 per cent; in other words, we are cutting them down a half per cent per month. If we pass this amendment we are limiting them without in any way recognizing their right to charge 14 per cent interest or to charge disbursement fees. They are not legally entitled to charge them to-day.

Mr. DONNELLY: They would operate under the same charter except that they would be limited to 2 per cent instead of $2\frac{1}{2}$?

The CHAIRMAN: I would suggest the company express its opinion.

Mr. MARTIN: Before the company does that may I ask Mr. Finlayson a question so that I may understand the implication of this amendment, without expressing whether I disagree or agree, because I want to understand what it means. Mr. Finlayson, can you tell me whether that amendment will clarify the ambiguity which seemingly has existed in the discussions between yourself and this company?

Mr. FINLAYSON: Yes; I was going to speak on that particular point, Mr. Chairman and gentlemen. As I understand Mr. Tucker's suggestion it leaves the Companies Special Act just as it is except as modified in this amendment. The amendment is very much along the same lines as Chapter 56, 1934, which imposes an additional restriction of $2\frac{1}{2}$ per cent per month on the companies' rates. Mr. Tucker will substitute for the $2\frac{1}{2}$ per cent per month 2 per cent per month leaving the company subject to the restrictions in its Special Act. Now, if there is one thing more than another that has been developed in this committee it is that the Special Act is far from clear. Courts have taken opposite views as to what the Special Act means. Mr. Tucker has drawn attention to alternative interpretations. According to one interpretation this company might be permitted to make no chattel mortgage charge against the borrower. That would reduce its rate to approximately $1\frac{1}{2}$ per cent a month. Mr. Tucker goes further and suggests that that 7 per cent should be an effective 7 per cent interest and not 14 per cent, which, if combined with the other suggestion, would reduce the rate to less than 1 per cent a month. Mr. Tucker's amendment leaves all these questions in the air. If there is the doubt that Mr. Tucker offers as to the interpretation of the Special Act, a person might at any time come forward and drag this company into the courts and convict them of charging an illegal rate of interest. They would be subject to that liability as now with the additional restriction to 2 per cent instead of $2\frac{1}{2}$ per cent as now prevails.

Mr. LANDERYOU: That is what we want.

Mr. FINLAYSON: I think that would be very difficult to expect. You could hardly expect the company to accept that proposition. They are left with all the disabilities of their present Special Act with all these additional disabilities.

Hon. Mr. LAWSON: And special limitations beyond all other companies in the same business.

Mr. FINLAYSON: Yes. There is this about it: Chapter 56, 1934, is of general application, applying to all companies deriving their powers from the parliament of Canada. The effect of this would be to saddle this particular company with these still more onerous restrictions, while leaving them still subject to all the hazards involved in their Special Act.

Mr. TUCKER: In regard to that would it not be possible for us to add another recommendation that that act be changed by striking out $2\frac{1}{2}$ per cent and putting in 2 per cent, and applying it to all companies?

Mr. FINLAYSON: I am afraid it is too late in the session to bring forward general legislation. However, I have pointed out the difficulties I see, and I am sure they appeal to Mr. Tucker.

Mr. LANDERYOU: Have you received an opinion from the law officers of the crown in reference to the charges they have been making and as to the legality of the charges?

Mr. FINLAYSON: Not yet; I referred the matter to them over the week-end, the end of last week, and I am told—the law officers of the department were here this morning—they have been very busy in the other committees of parliament, particularly in the Senate, and have been unable to give an opinion. The law officer who was here this morning said that he might be able to get round to it to-day sometime.

Hon. Mr. STEVENS: Mr. Chairman, naturally I should like to agree with Mr. Tucker's suggestion. I can see that his suggestion, as was Mr. Cleaver's, was made in response to your moderate and very responsible appeal, but I find myself in a very grave difficulty. I am opposed, as the committee well knows, to the adoption of section 2. However, that has been disposed of. If this clause as suggested were added and the bill reported I would be in the position of approving of the reporting of the bill, including section 2. That is one point. The other is this: this amendment as drafted, if it appears in the bill as section 3, does not actually amend the charter of the company. I think the drafting would have to be very carefully attended to. As I take the sense of the committee from observations made by several members, following Mr. Cleaver's suggestion, there is an obvious feeling we are not going to come to an agreement or an understanding. If this motion is before the chair, I should like to suggest an amendment to it. I suggest this amendment to Mr. Tucker for his consideration. This amendment, I take it, more or less reflects, at least, the way the chairman's observations appeal to me, and my interpretation of them. I move that all the words after "that" be deleted from Mr. Tucker's resolution—

The CHAIRMAN: Have we Mr. Tucker's resolution?

Hon. Mr. STEVENS: That all the words after "that" be deleted from the resolution and the following substituted therefor: this committee begs to report that it has considered bill No. 58 at great length but not being able to arrive at a final decision it begs to report that bill 58 is not proven. I think that is the proper form.

The CLERK: You can say the preamble is not proven. The preamble was proven.

Hon. Mr. STEVENS: I shall put it this way: that the bill be not reported.

Mr. VIEN: Mr. Chairman, I believe the rules of the house bind the committee to report the bill.

Hon. Mr. STEVENS: No; the rules bind the committee to make a report.

Mr. HOWARD: You must have a seconder.

Hon. Mr. STEVENS: No.

Mr. VIEN: To report the bill amended or not; the preamble has been passed; sections 1 and 2 have been passed. There is the proposition. You are suggesting that we strike out sections 3, 4, 5, and 6 and substitute in lieu thereof a new section 3 to which Mr. Tucker has made an amendment that the proposed section 3 be struck out and another subsection 3 substituted in lieu thereof. I think we have to consider that to see if we can obtain the sentiment of the committee. As regards Mr. Tucker's statement, as set out by Mr. Finlayson and by the officers of the company, it is very much involved, and would take some time to ponder over to see if it can be accepted. I do not believe it can be accepted in its present form. There might be a possibility of suggesting something which might meet with Mr. Tucker's views and with the views of hon. mem-

bers. Therefore, I do not believe we can accept Mr. Stevens' suggestion. Section 634 of the rules reads as follows:—

A committee is bound by, and is not at liberty to depart from, the order of reference. In the case of a select committee, upon a bill, the bill committed to it is itself the order of reference to the committee, who must report it with or without amendment to the house.

Therefore, we have to report the bill. We have passed a preamble and sections 1 and 2. I think we should consider Mr. Tucker's amendment, and if it is defeated, then we should consider section 3 as submitted.

The CHAIRMAN: We are on Mr. Stevens' amendment at the moment.

Mr. VIEN: Mr. Stevens' amendment to Mr. Tucker's amendment.

Hon. Mr. STEVENS: Do you raise that as a point of order?

Mr. VIEN: No. I say simply that your suggestion that the bill be not reported is out of order under section 634.

The CHAIRMAN: The question is on the amendment.

Mr. VIEN: No; on the point of order.

The CHAIRMAN: Mr. Stevens, have you any desire, as a man of great experience, to discuss this?

Hon. Mr. STEVENS: I think one should always be frank in these cases. I am inclined to think that Mr. Vien's point of order is, perhaps, right. It is a very narrow question and, I think, quite debatable; but I think the weight of evidence, perhaps, is in his favour. The rules say that the bill must be reported. Of course, I might argue that we are reporting it. But, on the other hand, Mr. Vien's point is that we must report the bill. I submit that my amendment would be in the nature of reporting the bill. We report that we have considered it at great length but have arrived at no final decision, and we say that the bill be not reported. However, there may be grounds for the point of order. I am not going to contest the point if you, Mr. Chairman, should rule against me.

The CHAIRMAN: Will you withdraw your amendment then?

Hon. Mr. STEVENS: I suppose I shall have to in that case.

The CHAIRMAN: Then, the question is on Mr. Tucker's original motion.

Mr. VIEN: It is an amendment to the amendment.

Mr. CLEAVER: My motion is withdrawn.

The CHAIRMAN: Mr. Cleaver has withdrawn his amendment. Now, Mr. Tucker, I take it that I am right in saying that your motion is an amendment to section 3; is it?

Mr. TUCKER: Yes.

The CHAIRMAN: Are you ready for the question?

Mr. KINLEY: Mr. Finlayson pointed out the difficulty to this amendment; and I think we should hear from the solicitor of the company as to how this is going to affect the company, before we vote on the motion.

The CHAIRMAN: That is the company's privilege.

Mr. WALKER: If I understand the matter correctly, the effect of this motion, if it is carried, is that we are left just exactly where we are now. Am I right?

Mr. FINLAYSON: Except that you are subject to 2 per cent instead of 2½ per cent.

Mr. WALKER: Is that still in? I do not think I can add anything more than Mr. Finlayson has said, that it singles us out for the most unfavourable treatment of all the three companies. I think we have done more than any other company to try to get general legislation and to cure the very evils that have

become so apparent in the discussion before this committee. If it is the wish of the committee that we should be discriminated against to that extent, we have to take our licking on the chin. I may be misunderstanding the effect of this; but if it was the amendment as Mr. Finlayson discussed it, I entirely subscribe to everything Mr. Finlayson said—that you are putting a roof on this particular company that does not apply to either of the other companies, and you are leaving all the ambiguities that have become more and more apparent each day. I might say that we have made no secret of those ambiguities. We stated in the explanatory notes that these ambiguities exist. In one explanatory note we say: “The language of the present section 5 (1) (b) (i) (ii) and (iii), which controls the charges which borrowers can be required to pay, is capable of more than one interpretation”

Now, that does not mean that I have any fear as to the ultimate result of litigation, but I have very grave fears that my client will be taken into court just because there are such people who sincerely have a contrary view. I have had my senior partners' advice; they support my view; but that does not mean that there are not people who share Mr. Tucker's view. It was that ambiguity that we sought to overcome. The result of this amendment would be to leave all the evils and to put us in a position in which we would be very seriously discriminated against.

Mr. TUCKER: In answer to Mr. Walker, I may say that I took it for granted that it had been established to the satisfaction of the majority of the members of this committee that they were absolutely sure the company had the right to make the charge they were making. They were not worried about that. They wanted the rate reduced to 2 per cent per month, and since they are sure they have the right to make the charges they have been making, why not say, “Very well, we will give you what you say you want. You have all the rights you want, and you are not asking for any new rights from this parliament”; and cut the rate down to 2 per cent per month. I think the majority of the members of this committee are of the opinion that they had the right to make the charges they are making, and it was on that basis that they were objecting to the position we were registering to the bill. I am taking them at their word. If they are sure, why should they object to our attitude when they claimed from the start that they did not want any new rights in regard to this bill. They cannot blow hot and cold. When they say they want the rate reduced from $2\frac{1}{2}$ per cent to 2 per cent and do not want any new rights we take them at their word. I am glad this has been brought before this committee. I am quite sure that certain members understood that the company have the right to make the charges they were making and that this bill was reducing the rate, and they took the attitude that they did in opposing the bill without preventing the rates being reduced. The issue is straight. They say that they do not want any new rights. All right; we will not give them any new rights. That is why I put the motion. Do they want the rates cut down or not?

Mr. VIEN: Your amendment does not change the basis from a discount basis to a flat percentage per month.

Mr. TUCKER: The company can do that if they want to.

Mr. VIEN: No. The terms of the act, as they stand, are not capable of being interpreted as giving the companies the right, instead of discounting the charges, of charging them as a flat charge on the reducing plan per month.

Mr. LANDERYOU: If there is any doubt of the legality they can always reduce their interest charge. They are allowed to charge up to 7 per cent discount, but it is not compulsory; they can charge 3 per cent.

Mr. VIEN: It is the *modus operandi*.

The CHAIRMAN: Are you ready for the question?

Mr. KINLEY: From what Mr. Finlayson said, I gathered that a grave injustice would be done to someone with regard to this resolution. I would like to hear Mr. Finlayson's final word to this committee on this resolution, as it affects the department and the working of this company and other companies.

The CHAIRMAN: Mr. Finlayson, will you read the resolution?

Mr. FINLAYSON: Yes, I think so, because it is in a little different form from what it was when first submitted: "That bill 58, "C" of the Senate, be amended by striking out all of sections 3, 4, 5 and 6 thereof and by substituting the following therefor: (iii) Where it is established to the satisfaction of the Minister of Finance that this company has, subsequent to the passing of this act, in respect of any loan or other transaction, charged, imposed, or collected, directly or indirectly, interest and other charges, of any kind, nature or description whatsoever, exclusive of fees disbursed for registration purposes, amounting in the aggregate to more than 2 per centum per month on the monthly balance owing by the borrower, the minister may recommend to the Governor in Council that the charter of the company be forfeited."

Now, this bears out what I said before. The company remains subject to its special act and subject to this further limitation of 2 per cent a month instead of $2\frac{1}{2}$ per cent a month as is now in chapter 56 of 1934.

Hon. Mr. LAWSON: If this amendment to this act carries, you are back in the same muddle as you were before with respect to the interpretation of the present act.

Mr. FINLAYSON: Yes. I am glad you raised that point, Mr. Lawson, because I did suggest that any borrower or other member of the public might drag this company into court. I have rather the feeling—

Hon. Mr. STEVENS: Why do you say "drag"? Is it not the right of any citizen?

Mr. FINLAYSON: Oh, yes; I will say "bring" instead of "drag."

Mr. LANDERYOU: If they are operating illegally why should they not be taken into court?

Mr. FINLAYSON: I rather gathered from some suggestions which were made in the committee that there may be an obligation on our department to take the initiative in proceedings against the company. Remember the company is under the Loan Companies Act. We issue licences. We are required to examine their statements and to pass upon them. Presumably, we have some responsibility in seeing that the provisions of their special acts are observed. Is there an obligation on the department to proceed to seek an interpretation which may have the result that Mr. Tucker contends for—to reduce their rate either to $1\frac{1}{2}$ per cent or less than 1 per cent? Now, all that is still left in the air by this amendment; it does not help to solve any of the difficulties I have outlined already to the committee. That is the objection I see.

Mr. EDWARDS: If this amendment passes does it not discriminate against this company in favour of the other two companies?

Mr. FINLAYSON: I have made that clear.

Mr. EDWARDS: I just want your clear-cut statement on that.

Mr. FINLAYSON: I would like to state this—

Mr. TUCKER: How does it do that?

Hon. Mr. LAWSON: The other companies have the right to charge 2 per cent.

Mr. FINLAYSON: I would just like to make this explanation, which I think I made in the earlier sessions of the committee. We have for three or four years

tried to get all three of the companies to come to parliament with an application for a flat rate of 2 per cent per month.

Mr. McGEER: Might I ask a question?

Mr. FINLAYSON: Might I just proceed for the moment, and then I will receive your question?

Mr. McGEER: Yes, sir.

Mr. FINLAYSON: We tried that in 1934. The companies all opposed us. We tried it again in 1936, but the committee in the Senate did not see it as we saw it. We have now succeeded in bringing two of the companies to parliament with the suggestion from themselves. We could make no headway with the third company.

Mr. JACOBS: That is the company not before us.

Mr. FINLAYSON: Yes. That company contends still for three or three and a half per cent per month.

Mr. McGEER: Is it charging at that rate?

Mr. FINLAYSON: No, it is subject to the same conditions as the rest, but it has contended for a rate of 3 per cent or over on the lower bracket loans. They have never even come halfway to meet us on these points. These other companies have come forward.

Mr. MARTIN: What is the name of that company?

Mr. FINLAYSON: It is the Discount and Loan Corporation. These companies have come forward under the assumption that it would be good for them in the end.

Mr. McGEER: Could we not overcome that?

The CHAIRMAN: Will you allow Mr. Finlayson to finish his statement?

Mr. FINLAYSON: I think they honestly sought to improve the situation and to give special concessions to the borrowers. I feel now that perhaps I have been working in the wrong direction in seeking for lower rates. I would take this amendment almost to mean that I should hold my hand and allow higher rates to continue. That is the impression that it creates on me. From the company's standpoint, however, I do see the objections that I have just outlined, that it leaves all the uncertainties as they are to-day and it imposes an additional restriction on this company that its competitors are not subjected to; not only competitors among other Dominion companies, but competitors in the provinces; so that it increases still more the discrimination that now exists between these regulated companies and the provincial companies which have no limitations at all.

Mr. McGEER: Could you not make this provision in this Act applicable to all the other companies?

Mr. MARTIN: This is a private bill.

Mr. McGEER: That does not make any difference, it is an Act of Parliament and it could be made to apply to all other companies.

Mr. MARTIN: You would have to have general legislation for that.

The CHAIRMAN: Order, please.

Hon. Mr. LAWSON: You would have to amend the general Act.

The CHAIRMAN: Mr. McGeer, I understand that you are asking Mr. Finlayson a question.

Mr. McGEER: Yes. This is an Act of Parliament?

Mr. FINLAYSON: I should think that this committee could not in dealing with this bill pass amendments to other bills or even to the general Loan Companies Act. I think you have got to deal with this bill?

The CHAIRMAN: Have you finished, Mr. McGeer?

Mr. McGEER: No. If this committee makes a recommendation to parliament and parliament sees fit to indicate in this legislation the application of the restriction which it imposes upon this company to all other companies engaged in the same business, this parliament has the power to accept and adopt that, and make it apply. Now, it is quite true that where you come to legislation of this kind, where you are dealing with the special rights of a special company, it would only be under extraordinary circumstances that any such power of parliament would be used; but if this committee agrees with this limitation of Mr. Tucker as a proper one in this particular case, and that it could not be imposed without discrimination against this company, then this company should not be discriminated against but the public should be protected; and under those extraordinary circumstances parliament if it sees fit to can exercise its supreme legislative authority.

Mr. VIEN: It would be for the house.

Mr. McGEER: Yes, it would be for the house.

Mr. VIEN: Because the committee is limited under rule 634; "is bound and limited by the general order of reference," and in the case of a bill the reference is the bill itself.

Mr. McGEER: Quite true.

Mr. VIEN: Therefore you could not extend the provisions of such amendment to any other than the company affected by the bill.

Mr. McGEER: Providing that that point of order were taken and the government were not sustained, or that parliament were not sustained upon that ruling, in those exceptional circumstances it might become necessary to make this bill operative, to have it made applicable to the others. I mean, there is no parliament limitation upon our power to do that.

The CHAIRMAN: Mr. McGeer, surely what you are suggesting must be done by general legislation.

Mr. McGEER: As a matter of fact, Mr. Chairman, I believe that this particular type of legislation is not strictly within the category of private bill legislation.

The CHAIRMAN: I agree with that.

Mr. McGEER: It is more in the category of the exercise of the general constitutional power of parliament to deal with the rate of interest, and this is not as is commonly called a charter company, in the sense of a private company getting special rights to do a specific thing. It is a regulatory measure much like the Criminal Code.

The CHAIRMAN: Do you suggest, Mr. McGeer, that we can put certain clauses into Bill C that will apply equally to Bills K and L as well?

Mr. McGEER: I do.

Mr. MARTIN: Only parliament can do that.

Mr. McGEER: But we can make a recommendation to parliament. Parliament does not have to accept it.

Hon. Mr. LAWSON: On a point of order: No standing committee of the house I submit can make any recommendation in respect to anything except the subject matter contained in the reference to it by parliament; that being so, this committee can only deal with this bill.

The CHAIRMAN: Yes.

Hon. Mr. LAWSON: Every member of parliament has as one of his rights and privileges the opportunity of introducing into parliament an Act to amend a general Act of Parliament putting an omnibus rate, or a maximum rate of 2½

per cent on all companies; in which event parliament if it sees fit might in the ordinary course of events refer such a bill to this committee, whereupon this committee would be seized of a general bill and then have power to deal with it. I submit, Mr. Chairman, that your ruling should be that this committee has not the power to deal with the subject.

Mr. LANDERYOU: The passing of this bill without the amendment made by Mr. Tucker would be doing away with all the ambiguity that we have been speaking about in respect to this bill.

The CHAIRMAN: Mr. Landeryou, Mr. Finlayson has just made the statement that it does not do that.

Mr. LANDERYOU: Then, there is some doubt in his mind as to the legality of the charges made under their Act in its present form; I mean, there must be, otherwise he would not have raised that; and yet, time and again you have said to the committee these rates were perfectly legal in your opinion. Now, this company simply wants you to authorize them to make these charges, and they say they have come here voluntarily asking you to reduce their charges from $2\frac{1}{2}$ per cent to 2 per cent. They do not want anything else.

Hon. Mr. LAWSON: Oh, yes, they do.

Mr. LANDERYOU: They may want to have us cover up what may have been illegal charges under the old bill.

Hon. Mr. LAWSON: They do not want to cover up anything.

The CHAIRMAN: Order, please. We are within five minutes of one o'clock, and I suggest that we do not get busy before we have our luncheon by going around in circles and circles.

Some Hon. MEMBERS: Question?

The CHAIRMAN: We will have the question; but first I would like to know your disposition as to our reporting this bill this morning.

Hon. Mr. STEVENS: It can't be reported this morning.

The CHAIRMAN: Are you ready for the question? The question is on Mr. Tucker's amendment to section 3. What is your pleasure? Those in favour of Mr. Tucker's amendment will please rise. Now, those opposed. I declare the amendment lost.

The question now is on clause 3.

Mr. TUCKER: I suggest that we have a recorded vote. We have had most of the other votes recorded and I think this one should be recorded also.

Mr. VIEN: Is it necessary? You have the right, I admit; but, is it necessary?

Mr. TUCKER: We have had it on everything else.

The CHAIRMAN: The question is on section 3. All in favour of section 3 please rise.

Mr. VIEN: Mr. Tucker wants a recorded vote. You might have the Clerk call the names.

The CLERK: Is that on the previous question?

Mr. VIEN: Yes, on Mr. Tucker's amendment. It is his right to call for a recorded vote.

The CHAIRMAN: The Clerk will record the vote.

The vote being recorded, the Clerk reported yeas 7; nays 14.

The CHAIRMAN: I declare the amendment lost. The question now is on section 3 as amended.

Mr. McGEER: There was a proposal placed before me by Colonel Vien in which it was suggested that this clause might be amended to limit the rate

of interest to $\frac{1}{2}$ per cent, and to limit the aggregate charges for the services to $1\frac{1}{2}$ per cent. It seems to me that this might be given consideration.

Mr. VIEN: The suggestion was made that we should break down that 2 per cent per month. Mr. Tucker discussed the matter. So far as I was concerned I had no objection to that at all, and I see no objection to this being done. It could be done easily by introducing—you know the amendment; you have it before you—"Such aggregate charge shall not be wholly or partly deducted in advance and it shall not exceed two per centum per month on the amount or balance of principal money remaining owing from month to month, half of one per cent to cover interest and one and one half per cent to cover all other charges and services." So far as I am concerned, I see no objection to that breakdown.

Mr. McGEER: I think that is an amendment which ought to be given consideration; and I think as it is now one o'clock, we can hardly do it now.

The CHAIRMAN: What time shall we meet?

Mr. MARTIN: I move that we adjourn until four o'clock.

The CHAIRMAN: Is that your pleasure, gentlemen?

Some Hon. MEMBERS: Carried.

The committee adjourned at 1.01 p.m. to meet again at 4 p.m.

AFTERNOON SESSION

The committee resumed at 4 p.m.

The CHAIRMAN: Gentlemen, we appear to have a quorum. Mr. Martin has moved that "Bill No. 58, letter C of the Senate, be amended by striking out all of sections, 3, 4, 5 and 6 thereof and by substituting the following therefor: 3. Paragraph (b) of subsection 1 of section 5 of the said act as enacted by section 2 of chapter 94 of the Statutes of 1929 is amended by adding thereto as sub-paragraph (iv) the following"—and you have them before you. What is your pleasure?

Mr. JACOBS: On a question of privilege, Mr. Chairman, I find in the report of the proceedings of April 1st, All Fools' Day, I am stated to have told the committee that we ought to dispense with hearing Mr. Forsyth. I certainly never said that. What I did say was to dispense with swearing Mr. Forsyth. There is a difference.

The CHAIRMAN: Oh, yes, I remember that.

Hon. Mr. STEVENS: Yes, I remember it very well, too.

Mr. JACOBS: It must be right, because Mr. Stevens agrees with me. I would ask that the change be made, so that the record may be kept in order.

The CHAIRMAN: What is your pleasure with regard to Mr. Martin's motion?

Mr. VIEN: Carried.

Mr. TUCKER: What is Mr. Martin's motion?

The CHAIRMAN: I just read it.

Mr. TUCKER: That is the motion that has been before us?

The CHAIRMAN: That is the motion that is before us now.

Hon. Mr. STEVENS: I would like to ask Mr. Reid a few questions in regard to this.

ARTHUR P. REID, recalled.

By Hon. Mr. Stevens:

Q. Mr. Reid, in your examination the other day you stated that it was the uniform practice of the company to make loans of twelve months?—A. Yes, sir.

Q. That is correct?—A. That is right.

Q. In this amendment you suggest that such loans shall not be made for periods in excess of eighteen months. Are you intending to raise the normal term of your loans in practice to eighteen months?—A. We have not decided that, Mr. Stevens. There are cases when an eighteen months loan is very desirable. A person might come to us with debts that could not be repaid during a period of twelve months; that is to say, the amount of his loan is restricted by his paying capacity. At the same time, he might be a good risk, and to do a really remedial job you would require a larger sum than he could pay back out of earnings during the twelve months period. The reason we have not made these loans in the past is because the effective rate would have been against us, bearing in mind these fees can only be collected once during the twelve months or once in that loan.

Q. Once during the term of the loan?—A. Yes. And that would tend to pull the return, the revenue, down on that loan.

Q. Yes?—A. But there is quite a demand for a longer period than twelve months.

Q. Do you contemplate making the eighteen months term the common practice as you have in the past made the twelve months term?—A. Our policy has not been formulated on that at all.

Q. You are simply asking for the privilege?—A. Yes. I may say that in the United States the common practice is twenty months.

Q. In your practice up to the present time—I think according to your evidence already given you indicated that you as a common practice refused loans of less than twelve months?—A. Yes.

Q. That is correct, is it not?—A. Yes. That was because of the discount plan.

Q. But the fact is what I am after. The fact is you have refused to loan for less than twelve months?—A. Well, that is hardly a fair statement. It is not a case of refusing. It is the demand we have met. I do not recall of a case where we are asked to make a loan for less than twelve months. A person borrows on a twelve months contract knowing that he can repay it at any time he so wishes. It is not a case of refusing to make them. The demand just does not exist.

Q. Mr. Reid, you said a moment ago that it was your common practice?—A. Our common practice, quite so.

Q. And in your evidence previously, when I asked you on this, you indicated that you would not loan less than twelve months?—A. Well, that is quite right.

Q. That is quite right?—A. Yes, that is quite right.

Q. If a borrower borrows for twelve months—which you insist upon him taking, although he might only wish to borrow for three months or for six months or for five months—he has to borrow for the twelve months period?—A. Yes. That will not be the case under this new plan, because it will be an interest plan.

Q. Yes, but it has been the case?—A. Oh, yes.

Q. That is the point I am getting at. I think it was this morning that you made a rather warm denial of the suggestion—or, in fact, it was merely a question—that sometimes you were a little harsh on the borrower if the loans were not paid. I think you repeated what you had said before, that you had not seized any property as security for your rent?—A. I do not think that was

the question or the statement. I think Mr. Landeryou stated or wanted me to pledge myself that, in the case of a husband dying, we would not take the furniture from the wife.

Q. Yes?—A. I mean that is the way that came up.

Q. It is difficult for us to bring evidence because these people are usually poor people and it is very difficult to induce them to come. But I have had several cases that have been brought to my attention. I have one in my hand now. In this case it was a pensioner, a soldier. His income was assured to the extent of his pension, of course. The information that has been furnished me is that this is a case in London, Ontario, and I think your manager's name is Lyons, if I remember rightly. Is that his name?—A. That is the name of our London manager.

Q. This man borrowed \$150, it is alleged. Then before the loan matured—and I am told this is a very common practice, Mr. Reid, of your offices—he was approached and told that his credit was good and they would like to make him another loan. In this case the man did so, still owing the sum of \$40, \$50 or maybe \$60. When that renewal was made—and this is why I have been asking and why Mr. McGeer has been asking, for samples (and I see no reason why you have not brought them) of your books and records. My information is that when that renewal or that new loan, as you call it, is made, you deduct all of the balance from the old loan that is still unpaid from the new loan. For instance, in this case, we will say there was \$60 still owing and you make a new loan of \$150. You deduct from that your charges, \$25 or \$30, plus the \$60, and give him the balance; and then he starts to pay at the rate of \$15 a month. Is that correct?—A. It would depend on the size of the loan what the payment was.

Q. \$150, I am saying.—A. That would be \$180.

Q. A little less than \$15; it would be something around \$12, would it not?—A. Approximately.

Q. That is correct; that is your practice?—A. Yes. He would get the proceeds of the new loan, by which he would pay the old one.

Q. Do you always allow that rebate?—A. Yes.

Q. Always?—A. Yes.

Q. Can you bring your books to show that—A. Yes, the books are there.

Q. Where?—A. In our office.

Q. Why are they not here?—A. Well, now, Mr. Stevens, with 37,000 accounts, we cannot stop business and bring them here.

Q. Listen, Mr. Reid; several days ago I made the suggestion to you that I myself would undertake, or anybody who is familiar with books, to pick out at random in fifteen minutes a dozen or so loans that would be typical of your business, and it could be done. They are all docketed. They are all in little packages and kept together. I have never been in your office, but I venture to say that is true. Is that true?—A. No.

Q. How do you keep them?—A. They are kept on card records.

Q. Card records?—A. Yes.

Q. And the full story is on the card record?—A. Yes.

Q. Well, why could we not have them?—A. Those records are examined by the superintendent of insurance.

Q. I am not talking about the superintendent of insurance. I am not concerned about the superintendent of insurance. I am asking why you could not have brought some of those?—A. I was not asked to bring them.

Q. I asked for them the other night, and I asked you very plainly. Just a minute, now, Mr. Reid, and I will recall it to your memory. When you demurred, I said I would undertake to get them in fifteen minutes.—A. This is the first time I have understood your question to be in that form, Mr. Stevens.

[Mr. Arthur P. Reid.]

Q. Well, I made it very plain.—A. I did not understand it that way. I asked for the question. I asked to have it repeated so that I would understand what you meant. I understood there were no instructions given to me for these records.

Q. Mr. McGeer was after them over and over.—A. Not at all.

Q. Well, he is here to speak for himself; but that is the way I took it.

Mr. McGEER: The specific loans spread over the different amounts.

The WITNESS: I understood you both to mean what these loans are costing—the figures showing how they were arrived at.

By Hon. Mr. Stevens:

Q. Could I have exhibit 4, that yellow photographed sheet? This is what you furnished, is it not?—A. Yes. I thought that was what you wanted.

Q. You could not have thought that was what was wanted; if you had brought what I requested the other day, which you apparently— —A. I think I am reasonably intelligent.

Q. These are not sample loans, actual loans, Mr. Reid; are they or are they not?—A. No.

Q. Certainly they are not.—A. They are the rate schedule.

Q. This is the rate schedule for advertising purposes?—A. No.

Q. What is it for then?—A. For use in the office.

Q. Well, for use in the office and for computing as you discuss them.—A. Yes.

Q. But they are not sample loans?—A. No.

By Mr. Baker:

Q. Is that the basis on which you loan?—A. Yes.

By Mr. Edwards:

Q. Your loans are all based on that?—A. Yes. I do not recall where I was asked by the Chair or by anybody to bring the records here.

By Hon. Mr. Stevens:

Q. Mr. Reid, you are giving evidence, and do you declare that all your loans comply with that formula that is here?—A. At the present time, yes.

Q. All of them?—A. Yes.

Q. Will you bring your records to show that?

Mr. WALKER: Mr. Chairman,—

Hon. Mr. STEVENS: Now, Mr. Walker, Mr. Reid is answering these questions.

Mr. WALKER: Let him answer.

Hon. Mr. STEVENS: I am not asking you any questions.

The WITNESS: Am I instructed by the Chair to close up our office and bring all our records here?

Hon. Mr. STEVENS: No, that is ridiculous. I have asked Mr. Reid a reasonable question, and asked it two or three times—

The CHAIRMAN: Mr. Reid, I think Mr. Stevens has asked that you bring sample records of the loans, a half dozen or a dozen. Is that your idea, Mr. Stevens?

Hon. Mr. STEVENS: That is it.

The CHAIRMAN: That is all that is asked for. Is that agreeable to you?

The WITNESS: Yes, surely; anything they want. It is only going to postpone the thing.

The CHAIRMAN: You can get it this afternoon, could you? You have an office here.

Hon. Mr. STEVENS: Mr. Reid has a gentleman who has been sitting at his elbow here for the last couple of weeks.

By Hon. Mr. Stevens:

Q. I presume he is a member of your staff?—A. Yes, but he has had no experience in our operations at all.

Q. I am not saying that. He can go down to the office and get you these loans in fifteen minutes. Are your loans numbered?—A. Yes.

Q. They are in numerical sequence?—A. Yes.

Q. Would you mind doing this—I have not the faintest idea what the numbers of your loans are or who they are or anything else—would you get us No. 150 of last year? How many did you make, 6,000? Get us No. 150; get us No. 575.—A. They are not numbered from year to year.

Q. How are they numbered?—A. They are carried all through consecutively.

Q. Take 100 and add it to the number of the first loan. Suppose one was 37,986. Add 100 to that, whatever it is. I do not know; nobody knows here.

The CHAIRMAN: You are speaking now of the loans made in Ottawa, I presume?

Hon. Mr. STEVENS: That is satisfactory to me. I do not care.

The CHAIRMAN: It would delay matters if you did not take loans made in Ottawa.

Hon. Mr. STEVENS: All right. I can give you the numbers. You add the numbers to the first number you started with this year, which will give you the number. Give me No. 150; give me No. 575; give me No. 1,597; give me No. 2,576; give me No. 3,020; give me No. 4,101 and give me No. 5,000.

The CHAIRMAN: Would you have those numbers in Ottawa?

The WITNESS: That is a lot of numbers; that is assuming we have 5,000 loans made in this one branch in this one year.

Mr. EDWARDS: There may be only five or six.

Hon. Mr. STEVENS: 6,000.

The WITNESS: That is in the whole service.

By Hon. Mr. Stevens:

Q. How many were made in Ottawa?—A. I could not tell you offhand.

The CHAIRMAN: Could you give us numbers of less than 500, Mr. Stevens?

Hon. Mr. STEVENS: Yes, certainly.

The CHAIRMAN: Give us less than 500.

By Hon. Mr. Stevens:

Q. How many did you make in Ottawa?—A. I could not tell you offhand.

Q. Roughly speaking, one thousand, two thousand?—A. No, I could not tell you how many.

Q. We shall give you numbers under one thousand, then.

Mr. WALKER: I think Mr. Stevens meant in 1936, did he not?

Hon. Mr. STEVENS: 1936.

The WITNESS: 1936.

Hon. Mr. STEVENS: Yes, in the year 1936, because your records will be complete. Give me number one hundred.

Mr. VIEN: Mr. Stevens, you will note that on the 1st December they charged the chattel mortgage.

Hon. Mr. STEVENS: I do not care. I am trying to get at the practice. Give me Nos. 100, 150, 200, 250, 300, 350, 400, 600 and 700.

[Mr. Arthur P. Reid.]

Mr. WALKER: All in 1936?

Hon. Mr. STEVENS: I should like you to be certain that in this group there are one or more samples of renewals such as I have described. Nobody knows anything about these particular loans. I have no idea about them, and I do not suppose you have just now.

The CHAIRMAN: I presume the names are not to be disclosed.

Hon. Mr. STEVEN: As far as I know, no.

The WITNESS: Are they to form part of the records?

Hon. Mr. STEVENS: I think you had better bring your original records here.

The WITNESS: They have to go back into our records.

Hon. Mr. STEVENS: Quite so. That could be arranged.

Mr. WALKER: Mr. Chairman,—

The CHAIRMAN: Mr. Walker would like to make a statement.

Hon. Mr. STEVENS: All right.

Mr. WALKER: There is just this about it Mr. Chairman: it seems to me that what the operation would be under the proposed bill is what this committee would presumably be considering. At this late date to go into what would be history, if this bill goes through, seems to be rather cruel; because if what you said this morning is the fact, Mr. Chairman, this will prevent the bill going through. We are concerned with what would be the operation of this company under the proposed amendment. These loans would not show that. The company would have been willing to give this information at an earlier stage. How willing they are to do it now, I do not know.

Hon. Mr. STEVENS: I am asking for it, and I am not asking for what you request, Mr. Walker, but for what I want.

Mr. VIEN: I would suggest, Mr. Stevens, that you put the numbers from the 1st January, 1937.

Hon. Mr. STEVENS: I have no objection to that at all, none whatever.

Mr. VIEN: The same numbers from the 1st January 1937 instead of 1936.

By Hon. Mr. Stevens:

Q. The information I have is that this man made at the instance of your office several renewals, so that he had four loans really in sequence, one after the other, all of which were made, except the first one of course.—A. What do you mean, “at the instance”? This man wanted the money.

Q. No; his wife was an unwilling co-signer.—A. She had to come to the company's office to sign.

Q. My information is that the office solicited him and urged the loans. The man was in bad health, and because he was in bad health his wife would not refuse to sign with him. She also suggests that she got no benefits out of it. Then, the pensioner died. Here is another question that I want to ask you. Then, the man died and immediately she was pressed for payment. When she advised your office that the man was in a very precarious condition of health, they let it go for a few days, but after a few days they pressed again. Then, when the man died—A. What do you mean by “pressed”?

Q. Pressed this woman for payment.—A. I know—what did they do?

Q. Harassed her, came to the house.

Mr. WALKER: How do you know?

Hon. Mr. STEVENS: I am not being cross-examined by you, my friend.

Mr. WALKER: Mr. Chairman,—

Hon. Mr. STEVENS: So, just get that clear.

Mr. WALKER: I have a client to protect here, and what Mr. Stevens is very skilfully doing is putting on this record what in any court of law would be highly objectionable.

Hon. Mr. STEVENS: This is not a court of law.

Mr. WALKER: He is under the guise of "I am instructed and I am informed" putting in what he apparently could not put in as evidence; and he is asking my client to deal with matters that apparently happened in London, one of thirteen branches. I ask you, is that fair?

Mr. LANDERYOU: I know of one that happened right here in Ottawa.

Mr. WALKER: Why don't you deal with the Ottawa one?

Mr. LANDERYOU: Why didn't you bring them?

By Hon. Mr. Stevens:

Q. I want to ask Mr. Reid this question. The next bit of information was that your office in London was advised from Westminster Hospital that there was a sum of \$107 due to this pensioner. How did he get that information?—A. I don't know.

Q. Do you, as a matter of practice, go to the pension authorities when you have a pensioner and find out what money he has coming to him?—A. No; I would not say that.

Q. The statement is he knew exactly the amount of cheque this woman had coming to her, and which he received.—A. Perhaps she told him?

Q. She did not. That is her statement.

Mr. MARTIN: I rise to a point of order. I do not want to interrupt Mr. Stevens, but he is referring apparently to a batch of correspondence that he has had. There can be no objection to Mr. Stevens referring to that correspondence and saying my information from this party is such-and-such; but there certainly could be very great objection to him stating as a matter of fact something that is contained in that correspondence. I as a member of the committee think that is a very improper way of introducing evidence. Mr. Landeryou suggests he has someone. I suggest that someone be brought to this committee to give us the direct evidence. I am not suggesting that Mr. Stevens is stating something which he knows to be untrue, but I do say that while this is not a court of law, the rules of commonsense and respect for evidence certainly must apply, and there could be no possible way of introducing the evidence in the way that Mr. Stevens has introduced it. I do not think it should be allowed.

The WITNESS: I am not suggesting for one moment that in making the number of loans we do, and in meeting so many people of various kinds—and after all we are dealing with individuals—that we can conduct this business without having the odd complaint. You cannot collect money from thousands and thousands of people without having the odd one squawk about it. But Mr. Finlayson has made this statement before, and I think he would make it now, that in the eight or nine years that this company has been under his supervision he has never had a single complaint from a borrower who has lived up to his contractual obligations. I do not question at all that you have complaints there from a few people who fail to pay their honest debts. For every one letter that you produce of that sort I can produce a hundred testimonial letters thanking us for the service we have been to them.

By Hon. Mr. Stevens:

Q. Have you finished? I am now going to pursue that question. Then, you make a third and a fourth loan of a renewal type. I ask you again, do you always refund the unearned interest and portion of charges on these renewals?—A. Yes; at the present time we are doing that.

[Mr. Arthur P. Reid.]

Q. I ask you—A. I explained when that change came into effect.

Q. You changed that when?—A. We are entitled by law to hold back a bonus of three months. We are not doing that.

Q. When did you change that?—A. That change was made last October.

Q. That was subsequent to the Kellie decision?—A. No; it had nothing to do with the Kellie decision.

Q. What was the date of the Kellie decision?—A. I know that it did not affect us at all.

Q. It was September?—A. I don't know. It was not a decision against this company.

Q. I know. You were aware of it, because you have already said that.—A. I heard of it, yes.

Q. You were interested in it?—A. Yes.

Q. Certainly you were, as manager of this company?—A. What is that again?

Q. You say you were interested?—A. I am interested in anything concerning finance.

Q. You knew of the Kellie decision in September?—A. I cannot say I did at all.

Q. But you are a very clever man?—A. I would not say so.

The CHAIRMAN: Let it go on the record, Mr. Reid. I agree with you, Mr. Stevens.

By Hon. Mr. Stevens:

Q. Why didn't you put it into operation before?—A. I cannot speak for the directors of the company—entirely policy.

Q. But it has been your practice up until October to do what I have stated, what I asked you just now?—A. Up to October?

Q. Yes.—A. Will you please explain?

Q. To make renewal loans and not to pay back to the borrower the unearned interest or portion of charges of the first loan?—A. Oh, no, not at all. We have always made a rebate, the proper portion of the interest, of the 7 per cent which was discounted. That is all we are expected to do according to our charter. There is no provision in our charter for rebates of the service charges and fees.

Q. You deny absolutely that that charge is sometimes carried on into the next loan and not rebated?—A. Which charge are you speaking of?

Q. The unearned charge?—A. Of the discount or fee?

Q. I am speaking of the unearned portion of the charge, partly interest and partly fees, for the loan, not fully paid but covered and paid partly by the new loan?—A. Mr. Stevens, I have explained that prior to October our policy was to rebate the portion of the discount and not the portion of the fees or service charges.

Q. Quite so.—A. In October our policy——

Q. Your fees and charges——

Mr. VIEN: Mr. Reid has not finished his answer.

Hon. Mr. STEVENS: There is a chairman here, Mr. Vien.

The CHAIRMAN: Let Mr. Reid finish.

Hon. Mr. STEVENS: All right.

The WITNESS: Commencing in October, or from the 1st October on, we have been rebating the portion of the fees and service charges as well as discount.

By Hon. Mr. Stevens:

Q. And your fees and service charges more than equal your total interest earnings. That is true, is it not?—A. It is quite possible that those are the figures.

Q. Will you please say whether or not it is true in your 1936 statement that your fees and service charges more than equal the interest earned?

The CHAIRMAN: Where are you quoting from, Mr. Stevens, so that they can make a check?

Hon. Mr. STEVENS: I am referring to a statement of the company that was filed with the committee.

Mr. VIEN: What is the exhibit number?

Hon. Mr. STEVENS: I don't know. I am not keeping track of the exhibits.

The CHAIRMAN: Will you let me see the document?

The WITNESS: I have it now.

By Hon. Mr. Stevens:

Q. If I have to specify the document shows that the interest earned on promissory notes in 1936 was \$366,648. Is that right?—A. Yes.

Q. The service charges were \$125,263?—A. Yes.

Q. And the fees were \$227,695?—A. Yes.

Q. Or a total of \$352,958. Is that right?—A. I imagine so.

Q. Therefore your fees and service charges are greater than your interest charges?—A. Yes.

Q. And to the extent that you did not rebate fees and charges you were not rebating these major portions of the charges against the loans. That is true, is it not?—A. Well, you are talking about fees on the one hand and interest charges on the other. We would rebate the unearned—there would not necessarily be any relation between what we rebate and what we earned.

Q. The relation, Mr. Reid, on your loans would be the same as the relation indicated in these earnings here?—A. No, it would not; no, not at all. It would depend on the length of the loan and the amount of rebate to which the customer would be entitled.

Q. That is simply, I say quite frankly to you, evading my question.—A. I take very strong objection to that. Just because I cannot answer the question the way you want it answered is no indication whatever that I am evading your question. I think I have indicated to this committee that I have been very frank and anxious to answer the questions.

The CHAIRMAN: Mr. Stevens, go on.

The WITNESS: I cannot answer the questions I have been asked as they are impossible to understand.

By Hon. Mr. Stevens:

Q. What is that?—A. I say that such things are impossible.

Q. It is not impossible, and you know it.—A. It may seem easy to you, sir.

The CHAIRMAN: What is the question?

Hon. Mr. STEVENS: I put the question a moment ago. Is it necessary for me to go into details?

The CHAIRMAN: Will you repeat the question?

By Hon. Mr. Stevens:

Q. Your interest charge of \$333,648 covers all your loans on which you did business for that year, the earned interest?—A. Yes.

Q. I think you said you had 37,000 loans outstanding, is that right?—A. No; 37,000 loans made during the year.

Q. Made during the year. And your service charge works in the same way; the same thing applies, does it not?—A. Just explain what you mean by "the same thing"?

[Mr. Arthur P. Reid.]

Q. It covers all your loans through the year?—A. Yes.

Q. And your fees \$227,000 odd also cover all the fees in the loans through the year?—A. Yes.

Q. Therefore, the proportion between these two in the total corresponds to the proportion of the loans granted; is that correct?—A. Well, I am pretty thick, and I do not know what you mean by correspond to the proportion of the loans granted.

The CHAIRMAN: Would you put the question in another way, Mr. Stevens. I must confess I do not understand it.

Hon. Mr. STEVENS: I do not think I am very dense.

Mr. VIEN: We are.

Hon. Mr. STEVENS: I think you understand it.

The WITNESS: I object to that again. You imply I am trying to evade something or conceal something.

The CHAIRMAN: Put the question another way, Mr. Stevens. Really, I cannot understand it. I may be dense, but I cannot understand your question.

By Hon. Mr. Stevens:

Q. I asked Mr. Reid a moment ago regarding the question of rebate, or alleged rebate—I will put that in to be accurate—you said you rebated the interest unearned and you rebated a portion of the fees unearned. They were your words a moment ago. If necessary, we can look back at the record?—A. Yes. I qualified that with the dates I have indicated.

Q. I have, surely, your admission, because the figures show it, that fees and charges constitute a sum greater than interest?—A. Oh, yes. That has been admitted.

Q. Therefore, fees and charges on an individual loan represent a larger proportion of the charge against the borrower than does interest. You should admit that?—A. You are speaking of an average loan, not an individual loan.

Q. I am speaking from what the records show.—A. That is average. It is a different thing.

Q. By and large—we will have the definite loans by and by—by and large, that is so?—A. Yes.

Q. Therefore, in those loans where you did not rebate the full proportion of the unearned fees and charges, the company retained from the borrower a substantial portion of the charges against him?—A. Yes.

Q. That is all I wanted. Now, coming back to this eighteen-month proposition. Are you agreeable to carrying on your business in this way: that to anyone who requires a loan and can offer acceptable security, the loan may be granted, for, say, three months or over at the wish of the borrower?—A. Mr. Stevens, on this new plan which is an interest plan he only pays for the use of the money for the time he has it. If that is one day, he pays one day's interest plus the bonus of one month.

Q. Then you are agreeable to that?—A. Yes, we are asking for this.

Q. It is not in your bill?—A. Oh, yes.

Q. What I am suggesting to you is this: you have got the term eighteen months?—A. Yes, to make payments easy for the borrower.

Q. Wait. My contention is that your practice of going to a good borrower and inducing him to take a new loan before his old loan is paid is of distinct advantage to the company. Would you admit that it is?—A. It is a matter of salesmanship, yes. Better to have him come to us than go some place else.

Q. In this bill you have the right to fix your term, not for twelve months, as you have it fixed now, but for eighteen months?—A. Yes.

Hon. Mr. STEVENS: My contention, Mr. Chairman—I am not going to put this in the form of a question—based upon that of Mr. Reid is that it is against the interests of the needy borrower. That is my contention.

The WITNESS: I can tell you from experience that it is not. These people coming to us need so much money for a specific purpose and they want to get that money on an easy payment plan, and you are working a hardship against them when you restrict the life of the loan to three months.

Hon. Mr. STEVENS: I am not prepared to take your word on that.

The WITNESS: You are requiring him to pay beyond his paying capacity. No matter what his promises are at the time, sooner or later he finds he cannot make those payments, whether twelve months or eighteen months—whatever size does not matter—because his paying capacity will govern the time of the loan. He can only pay so much. Therefore, it is going to be on your books that much longer.

Hon. Mr. STEVENS: I am not trying to argue. I am quite satisfied with the record. I will not pursue this until we get those samples.

By Mr. McGeer:

Q. Did I understand you to say, Mr. Reid, that you would be willing to accept that proposition?—A. Make loans for three months?

Q. And have them optional with the borrower as to whether it will be three months or over?—A. It certainly is optional because he has the right to pay it back any time he wishes, and he is only paying interest for the length of time he wants the money. You have to have a standard operating plan.

Q. But that is under this proposition where he pays— —A. You know, gentlemen, this may surprise you, but the first thing that a borrower wants to know when he comes to these offices to borrow money is not the rate of interest and not even what it is going to cost in dollars, but "how much do I have to pay back each month?"

Mr. MARTIN: And "how long do I have to pay it?"

The WITNESS: That is what he is interested in. You have to sell this service or any other service the way the customer wants to buy.

By Mr. McGeer:

Q. Where you make a loan for twelve months, as you do in most of these cases, there is a right to pay back by taking the cost of three months as the penalty?—A. That is out now—

The CHAIRMAN: Let Mr. McGeer finish his statement.

By Mr. McGeer:

Q. Now, you have an additional penalty of one month in the new proposal? —A. Yes, on the rate we suggested on our original bill we were asking 2½. We do not have that at all. We would like to see a rate sufficient to hake unnecessary any bonusing on rebate.

Q. For instance, take a two months loan, and then if you wanted to pay off, that would practically raise the rate 100 per cent, would it not? If a man made an emergency borrowing from you and was able to pay the debt off in a month, under his penalty he would be paying— —A. That is an isolated case. That would be possible, and would increase the rate substantially. These things do not happen.

Hon. Mr. STEVENS: They have happened.

The WITNESS: They have on occasion.

Hon. Mr. STEVENS: I happen to know they have happened.

The WITNESS: The principle is the same as with a real estate mortgage. Take a real estate mortgage for five years, you are penalized if you pay it off in half of the time.

[Mr. Arthur P. Reid.]

By Mr. McGeer:

Q. At the present time there is no limitation of eighteen months?—A. Twelve months.

Q. And twenty months under the present act?—A. There is no limitation under the present act. It is just a matter of policy.

Q. Why do you put in the eighteen month limitation now. I mean you have it wide open to have any period, as I read the record?—A. Yes. It is a limitation that has been suggested by the Superintendent of Insurance. We did not suggest it.

Q. It comes from the Department of Finance?—A. Yes.

By Hon. Mr. Stevens:

Q. Your practice is to come under that limit of twelve months?—A. Yes.

Mr. WALKER: It is not a limit at the present time.

Hon. Mr. STEVENS: Mr. Reid has just said that the Department of Finance has requested it.

The WITNESS: No. The Department of Finance has requested this eighteen month limitation. Our present act has no limitation.

By Mr. McGeer:

Q. Last evening I went over one type alone, and it is possible I was unfair to the company in that I took the loan of \$420. My reason for doing that was that it was the amount loaned in one of the cases I read. I wonder if Mr. Finlayson or Mr. Reid could give me the earnings on \$100 loan on the present plan, under the present act?—A. You mean the charges to the customer?

Q. Yes. What they would be under the present act.—A. I am sorry, sir. I have given that information two or three times, and I think I have explained that we do not make loans for an even amount of \$100. The nearest we have to that is \$120 on the discount plan which is on the yellow card. Roughly, it would be \$15.85. That is for \$100 cash. The new rate, 2 per cent, would be \$123.68.

Q. Now, give me the details. How did you get this?—A. First we have to figure out the size of the loan for which it was required to provide \$100 exactly right to the cent after discount. Now, it is a long time since I have compiled those figures.

Q. I think we will leave that until we get the records of these loans?—A. Mr. Finlayson reminded me of the formula yesterday. He is an actuary, I am not. I had to work it out in a crude way, but we were not far apart in the results.

Q. If I remember rightly last night when we were dealing with the \$420 we took a \$10 charge, and I think there is only a \$7 charge on your card?—A. On the chattel mortgage fee, yes, sir.

Q. As a matter of fact, there were \$3 in the charges that you were supposed to have made that are not made according to that card?—A. We could make them.

Q. You do not?—A. We are not doing it. We cut our rate to that extent. We were talking about what our present charter allowed and what the new rate would be.

The CHAIRMAN: Mr. Walker, do you wish to make a statement?

Mr. WALKER: Mr. Chairman, I have sent for the loans asked for by Mr. Stevens; but I do ask for a ruling as to whether or not we must, at this late date, go into all that and produce those loans, solely on the basis that I am afraid it is going to take up so much time that we shall be unable to finish.

Now, I do urge that that might be of very considerable importance in considering a general bill covering operations of any company in the small loans business. That would be of importance; but I do most earnestly submit that the operations of this company have been described in such detail as to have been sufficiently described for the purposes of the consideration of the present bill. Go on and examine exactly what will happen if the present bill is passed, but why go into great detail as to how actual loans have been handled in the past? We have the sworn testimony of the vice-president of the company and executive head of the company. We have all the information. We have a statement that all the loans have been made on this basis. But if we are to go into these individual loans, I say we will not get finished this afternoon. We would have been glad. We were ready with this type of evidence two weeks ago.

Hon. Mr. STEVENS: I asked for it, Mr. Walker.

Mr. WALKER: My recollection is that Mr. Stevens was asking for details, and I thought we had given a good many details.

Hon. Mr. STEVENS: I asked for sample loans, and I specified that it would be samples of loans taken from the records of the company; and I asked for that because I knew it would not take long. I have some familiarity with accountancy and with how records are kept. There is no doubt at all that they could get them. They could have that evidence here in 15 minutes or half an hour if they wished to produce it.

Mr. JACOBS: In the meantime I suggest that we hear from Mr. Tucker. We haven't heard from him this afternoon.

The CHAIRMAN: Order, please. I rule you out of order, Mr. Jacobs.

Mr. WALKER: Is there any way in which we could limit the time to be devoted to this, because it is a matter of weeks that we have been on it.

Mr. VIEN: I suggest that this will not add to our information, Mr. Chairman. The officers of the company have given to the committee the basis on which these loans are worked out, and Mr. Reid has stated by this exhibit No. 3 the very basis on which all these loans are made. I do not believe that we can add very much to that with respect to enlightening the committee, or in assisting it to come to a decision on the clause which is now under study. We are losing time.

The CHAIRMAN: It is a matter on which the chair is not called to make a ruling. Mr. Stevens, have you a resolution to put in regard to the matter?

Hon. Mr. STEVENS: I made a request, just as did on two previous occasions.

The CHAIRMAN: Your recollection is my own. It seems to me that it is a matter for the committee to determine.

Mr. McGEER: I do not think there should be any difficulty in getting that information here. I have asked for it; for instance, we look at this thing rather differently from the statement made that the company is entitled to charge \$10.00. The company are not entitled to make any such charge. The only charge the company is entitled to make is a charge on account of actual disbursements necessarily and bona fide made. The thing which matters most to this committee is an example of a loan from the records of the company's book, showing first the details of the amount that was borrowed; then the details in connection with the charges; and more particularly an analysis of the nature of the disbursements that had been charged up to the borrower, and what has actually been disbursed on account of the loan by the company.

Mr. EDWARDS: Does not that hinge on the interpretation given to the word "disbursements"; whether it goes outside of the office or not?

[Mr. Arthur P. Reid.]

Mr. McGEER: I do not think there is any doubt about that. The act says, any other disbursements disbursed by the company; and it gives here, necessarily and in good faith made. That means it has to be an actual disbursement for a legal service, for an investigation; that is one thing. You certainly would not like a profit to be made of that type of expenditure or charge?

Mr. EDWARDS: That is not what I mean. Would it not be perfectly legitimate to say that a disbursement could be made within the office just as well as outside, when they keep a staff in the office for that purpose.

Mr. McGEER: There is no question about that; that is to say, if you maintain a staff for investigations and if that charge were properly allocated to these loans. There is no question about that. We are entitled to see just how that has been done, and how these various disbursements that have been charged have been made. Apparently the committee has been giving a good deal of attention to the interest rate as the basis for these loans, and apparently it has not given as much attention to the disbursements.

Hon. Mr. STEVENS: Hear, hear.

Mr. EDWARDS: I think that is the whole thing there, really; or the most of it.

Mr. VIEN: I do not believe, Mr. Chairman, that a consideration of the clause before the committee should be delayed on that account.

The CHAIRMAN: Have you a resolution to move?

Mr. VIEN: I beg to move that we now put the question on the motion that is now before the committee.

The CHAIRMAN: I put that resolution to the committee.

Mr. STEVENS: That is the previous question you are urging.

Mr. VIEN: No, no; I suggest there is nothing before the committee presently.

Mr. MARTIN: Yes, there is my motion.

Mr. VIEN: Except the motion by Mr. Martin.

Hon. Mr. STEVENS: Which is?

The CHAIRMAN: It is the only motion before the committee.

Mr. VIEN: I think they are ready for the question.

Mr. McGEER: We have asked for information from the company.

Mr. VIEN: I am quite sure that this information can be given to those who are interested in it, but I think that the committee is ready for the question.

Hon. Mr. STEVENS: I would move in amendment that clause 3 stand until this information is completed, and that we proceed to a consideration of other amendments which I have to propose.

Mr. MARTIN: Before the question is put I would like to ask Mr. Stevens a question.

The CHAIRMAN: Let Mr. Stevens read to the committee his amendment.

Mr. MARTIN: I would like to ask Mr. Stevens a question. Time has come now to be a matter of great urgency if this bill is to reach the House of Commons; and if the information sought is not calculated to change the judgment of Mr. Stevens in the matter, or of others who may be opposed, why should we be asked to continue to sit in this committee. If there is any chance that this information would change the judgment of Mr. Stevens and those who are opposed to the measure, then I for one think it should be brought; but if it is not going to do that then I do not think we should be asked any longer to sit. That surely is an imposition.

Mr. VIEN: Might I point out that there is one hour from 8 o'clock until 9 o'clock devoted to private bills in the house to-night during which time one of the other bills will be considered by the committee of the whole. We cannot

very well sit until after nine o'clock to-night and the time is extremely short during which the committee can dispose of the work that has been entrusted to it by the house. I therefore suggest that we should proceed to a consideration of the clause that is before the committee.

The CHAIRMAN: Mr. Stevens has moved an amendment which he has put in writing and which we will put to the committee as soon as it is read.

Mr. KINLEY: While Mr. Stevens is writing his motion I wish to say that I do not see why the members of this committee should take the remaining days of this session. So far as I am concerned I have other business to attend to.

Mr. VIEN: So have we too.

Mr. KINLEY: If three or four people are going to run this committee, let them run it; if a majority is going to run it, let us run it. Let us have a vote.

Mr. DONNELLY: It would be voted down.

The CHAIRMAN: I will put the question. That is all I can do. It is moved by Mr. Stevens that section 3 stand until the information requested be produced, and that we proceed to a consideration of the balance of the bill.

Those in favour of Mr. Stevens' amendment please stand; those opposed, please stand.

The amendment is lost.

Mr. VIEN: I suggest that we might now consider clause 3.

Mr. LANDERYOU: I believe we should have a recorded vote on that.

Mr. EDWARDS: I move that the vote be not recorded.

Mr. MARTIN: Oh, let's have it. To save time.

Mr. EDWARDS: It only takes up time, and it does not appear on the record.

Mr. MARTIN: Let us record it quickly, because we have got to sit here all night on this.

The CHAIRMAN: Go ahead, Mr. Clerk. Order, please.

Mr. VIEN: The question is on Mr. Stevens' amendment?

The CHAIRMAN: Yes.

The vote having been recorded the Clerk reported; yeas 7, nays 12.

The amendment is lost. The question is now on the original motion.

Mr. TUCKER: I do not want to take up more than a moment in which to put this amendment, and to say that so far as I am concerned I would like to see the bill reported to the house as soon as possible, because I am tired of standing here. I would like to get away from this too.

The bill as it now stands seeks to authorize an increase in the interest rate which is very material, to over 24 per cent. The suggestion has been made that in doing that, in authorizing a 2 per cent interest rate, we are preventing the provinces from stepping in and cutting down charges as they otherwise could. The amendment I wish to put is this: I will state the effect of it—that they could charge one-half of one per cent as interest, up to that; and up to one and a half per cent in respect to expenses bona fide and in good faith incurred by the company. Now, the effect of the motion, which I now place before the committee, if it passes will be clear; and after that I intend to vote for it, and everybody else may vote as they please, but that is my position. I have moved:

That the said proposed section three be amended by adding after the words "from month to month" in sub-paragraph IV, the following words: "Of said charge not more than one-half of one per centum per month to be payable as interest on such loan and not more than one and one-half per centum per month to be payable in respect of all expenses which have been necessarily and in good faith incurred by the company in making such loan, such expenses to include (without excluding the generality of the

[Mr. Arthur P. Reid.]

foregoing) all charges and expenses for inquiry and investigation into the character and circumstances of the borrower, his co-maker or surety, for taxes, correspondence and professional advice and for all necessary documents and papers for all legal and other actual expenses actually disbursed by the company in connection with the loan.

The effect of that is to say that they can only charge one-half of one per cent as interest; and in regard to any other charges they can only charge one and one-half per cent for anything necessarily and in good faith expended or disbursed in connection with a loan. If we leave it as it is proposed now we are allowing 24 per cent as interest and preventing the provinces from interfering in the matter at all. If one thing is becoming very very clear it is that if we are going to make any headway in regard to any of these matters there must be co-operation between the federal and provincial authorities. If the federal authority steps right out and allows 24 per cent of interest, it prevents the province from interfering and cutting out this admitted abuse. So I submit that this amendment only allows one-half of one per cent a month as interest; it allows anything that can be legally charged on the other heading, but the province can step in and stop it if they deem fit. That is the effect of the amendment. I do not want to take any more time.

Mr. LANDREY: I am going to support the amendment, because it has been argued already that if we do not pass this bill, if we do not give federal incorporation to these companies, we are driving needy borrowers into the hands of those operating under provincial charters. If we grant to these corporations the right to charge 24 per cent, we are preventing the provinces from passing any necessary legislation to prevent any of these charges that in their opinion might be exploiting the needy borrowers. So I am going to support that amendment.

Mr. EDWARDS: May we have Mr. Finlayson's résumé of that?

Mr. FINLAYSON: I have not got the amendment before me.

Mr. TUCKER: I handed it to the clerk.

Mr. FINLAYSON: As Mr. Tucker read it out, I cannot see very much objection to it. However, I think the company should be heard on that.

Mr. VIEN: Excepting perhaps that there are too many details, and it should be more general; I think we would have very little objection to the general suggestion provided it were worded in such a way as not to create ambiguity.

Mr. FINLAYSON: Yes.

Mr. VIEN: For instance, when you say in making the loan that there are certain general expenses that are involved which must be, as Mr. McGeer very aptly said, attributed to each loan; your company's charges for overhead expenses and for clerical work must of necessity be attributed to your volume of business; and there is a certain percentage of your turnover which covers your fixed charges and overhead expenses. If you state "in respect of all expenses which have been necessarily and in good faith incurred by the company in making such loan, such expenses to include all charges and expenses," I think that you have in this clause that you propose to amend a duplication.

Mr. REID: "Shall be deemed to include . . ."

Mr. VIEN: You say, "Which charge shall be deemed to include all interest on the loan, all charges thereon or therefor of every nature and kind other than interest, all disbursements made in connection with the loan and all other fees, charges or services whatsoever arising out of or incidental to the loan. Such aggregate charge shall not be wholly or partly deducted in advance and it shall not exceed 2 per centum per month on the amount or balance of principal money remaining owing from month to month." I think that, to cover the point that

Mr. Tucker has in mind, it would be sufficient to add there "one-half of one per cent, which shall cover all interest charges." I think I showed you the wording that might cover that. You say, "shall not exceed two per centum per month on the amount or balance of the principal money owing from month to month," one-half of one per cent to cover interest charges and one and one-half per cent to cover all other charges and services.

Mr. JACOBS: Have we the right as a federal parliament to declare anything over one-half of one per cent?

The CHAIRMAN: May I show this to Mr. Finlayson, Mr. Vien?

Mr. VIEN: Yes.

Mr. JACOBS: Could the province not step in and say, "This is not interest, this one and a half per cent, this is something else for charges. We ourselves have sole jurisdiction in the matter."

Mr. VIEN: No. We indicate a maximum charge for services that cannot be exceeded. We did it in the statute of 1934. We made it two and one-half per cent per month, and no exception was taken to that by anyone, neither provinces nor individuals.

Mr. McGEER: There is not very much to that, because what that really amounts to is simply a blanket which, if it is exceeded by a company licensed by the Dominion, then the minister may recommend the cancellation of the licence.

Mr. VIEN: Exactly.

Mr. McGEER: That is not authority. What you are doing in this bill that we have got before us is to set up—and I think you are assuming authority which you have not got, unless you are going to say that you have made a gross charge for interest and that the other things are merely incidental.

Mr. VIEN: Yes.

Mr. McGEER: Because I think what you have assumed in this amendment is the right to legislate on what the maximum charges shall be for interest, plus fees and services for things which are not within the jurisdiction of the Dominion Parliament.

Mr. VIEN: That is so.

Mr. JACOBS: That is the thing that worries me.

Mr. McGEER: What the Tucker amendment proposes is that you put your thing in a constitutional form and you do not undertake by an amendment to this Act to preclude the right of the municipalities or the provinces, rather, to say what the fees for—

Mr. JACOBS: Services.

Mr. McGEER: —investigations and services and drawing chattel mortgages and that kind of thing, yes.

Mr. VIEN: If it is within the power of the province or of the municipality further to legislate, the maximum provided by this Act will not be in their way, unless they wanted to increase it.

Mr. McGEER: That is quite right, provided you segregate your interest.

Mr. VIEN: Exactly; and that is what we are trying to do.

Mr. McGEER: I think probably in an amendment of this kind, I quite agree with Colonel Vien, that it is not an amendment that one can take offhand. It might be an amendment which might be referred to Mr. Finlayson to put in shape. He knows what is the context of the thing. It is segregation of the interest and the charges and the placing of the maximum rate.

Mr. FINLAYSON: Yes. I wonder if something like this would meet Mr. Tucker's view and perhaps shorten the amendment, if it read: "Of such charges not more than one-half of one per centum per month to be payable

as interest on such loan and not exceeding one and a half per centum per month to be payable in respect of all expenses and charges as aforesaid." Because all those expenses and charges are detailed out in the previous part of the amendment. I wonder if by referring back we could not cut out a great deal of this amendment?

Mr. McGEER: Is there any reason why, Mr. Finlayson, the limitation on those charges—which is in all the others acts—in restricting the fees and expenses and so on to those necessarily and bona fide made, should not be in this?

Mr. TUCKER: I would like to see that left in it.

Mr. McGEER: Is there any reason why that should not be left in?

Mr. FINLAYSON: I can see no objection to it.

Mr. TUCKER: I drafted it very carefully.

Mr. FINLAYSON: I think the place to put it would be earlier up in this typewritten amendment.

Mr. WALKER: I would like to point out a little difficulty. So far, we have not actually run into this. I think Mr. Finlayson has interpreted it the way we have, but there is this point to be made and to be cleared up, that we have to consider almost two applications for every one that is accepted. That expense has got to be taken care of somewhere. We have always interpreted that all expenses necessarily and in good faith incurred in conducting the business are covered. But there again some one may not agree with us.

Mr. McGEER: How do you get that interpretation on that? I can quite understand how in the conduct of your general business, you would have that general overhead for investigation. That is inescapable in a business of this kind. But I do not see how anybody could—the only thing that would stop you from doing would be from making charges on an arbitrary basis above what they actually are and converting your charges into a profit. I do not think parliament intended that.

Mr. WALKER: We have never done that.

The CHAIRMAN: Order, gentlemen.

Mr. WALKER: I would like to meet that point of Mr. McGeer's. We have no objection whatever to "necessarily and in good faith." What I want to get away from is any possibility of misunderstanding, as to having to apply this to any particular loans. The present language is not by any means ideal. It speaks of "such loan." If we get proper language that calls upon us to show that all our expenses have been necessarily and in good faith incurred in connection with the operation of this business and no other business—necessarily and in good faith incurred in the operation of making small loans generally,—we have no objection whatever.

Mr. McGEER: I think that is the practice you have adopted.

Mr. WALKER: That is the practice.

Mr. McGEER: That you have indicated by your charges in exhibit three.

Mr. WALKER: That is the practice we have been following for eight years.

Mr. McGEER: For instance, you do not charge the \$10 limit on your small loans.

Mr. WALKER: No.

Mr. McGEER: We have got that down to a comparatively small item.

Mr. WALKER: And we have stated here in evidence that as long as we could produce evidence that we had expenses necessarily and in good faith incurred to a total of more than the receipts from the service charge, of the 2 per cent charge and the chattel mortgage fee, we had in our submission

complied with the act; and that is what we have been doing for eight years. So long as we do not get away from that, it is all right. As I say, while we were at it I would like to get away from language that was open to any other argument, and that is why I do not like "such loan." I would much prefer to have some other language in connection with "such loan."

Hon. Mr. LAWSON: Although I should dislike to be the one to suggest something that would stop what I choose to call a compromise, I feel in justice to myself that I should point out to the members of the committee that if you adopt this amendment, at the same time you are doing something very absurd. You have got a general law in this country. It limits the rate of interest in respect of loans generally to 12 per cent or 1 per cent per month. You come along and by private legislation in a private company's bill restrict them beyond the general law of the Dominion of Canada. It seems to me that if we are going to be consistent at all and not appear absurd in the eyes of the public or anyone who might review such a proposal, we at least should specify that the interest be 1 per cent per month and the service charges be 1 per cent.

Mr. McGEER: No, because what you are reading into the Money Lenders' Act is something that is not there. The Money Lenders' Act provides that this maximum, including charges, shall be 12 per cent.

Hon. Mr. LAWSON: There is no word of "charges."

Mr. FINLAYSON: No, there is no word of "charges."

Mr. McGEER: Show me the act.

Hon. Mr. LAWSON: I have not seen it for a good many years.

Mr. FINLAYSON: The wording of the Money Lenders' Act is this:

Notwithstanding the provisions of the Interest Act, no money lender shall stipulate for, allow or exact.... and so on.... a rate of interest or discount greater than 12 per centum per annum.

Hon. Mr. LAWSON: A rate greater than 12 per centum per annum.

Mr. McGEER: Read on.

Mr. FINLAYSON: "and the said rate of interest shall be reduced to the rate of 5 per centum per annum from the date of judgment in any suit, action or other proceeding for the recovery of the amount due."

Mr. McGEER: When was that amendment—1932?

Mr. FINLAYSON: 1906.

Mr. McGEER: Of course, this general provision is qualified by section 7 and deals with loans under \$500 which we are dealing with here, and reads as follows:—

In any suit, action or other proceeding concerning a loan of money by a money-lender the principal of which was originally under five hundred dollars, where in it is alleged that the amount of interest paid or claimed exceeds the rate of twelve per centum per annum, including the charges for discount, commission, expenses, enquiries, fines, bonus, renewals, or any other charges, but not including taxable conveyancing charges, the court may re-open the transaction and take an account between the parties.

That is the limitation.

Hon. Mr. LAWSON: Does not that whole section apply to the case where the money-lender sues?

Mr. FINLAYSON: Yes.

Hon. Mr. LAWSON: It does not lay down what the law is with respect to the charges. That section merely bars the money-lender the right of access to the courts to claim more than a certain amount. That is different.

Mr. McGEER: That is the legal limitation on the recovery of more than 12 per cent for interest and charges. I do not think there is any question about the proper interpretation of the act. It is a blanket limitation of 12 per cent.

Mr. LANDERYOU: They cannot charge more than 12 per cent.

Mr. McGEER: It may be a poor way to have drafted that type of qualification in the act. But when you read the two together, parliament never intended, surely, that the man who paid his bills would pay more than the man who did not. As a matter of fact the provision is wide open under section 7 because it gives the right to go back and make the readjustment. As I say, it is a clumsy way to put in the limitation, but the limitation is there. Unless you can assume that parliament intended to give the delinquent debtor who had to be sued an advantage over a debtor who honestly met his obligations you must treat that as a general limitation.

Hon. Mr. LAWSON: Mr. Chairman, with great respect to my friend, I think it is neither poor draftsmanship nor loose draftsmanship. I think it expresses just exactly what the draftsman intended. It is in exactly the same language as every other statute of limitation in this country for barring the right of recovery in the courts. It was always intended by that section that if a money-lender tried to force a debtor to pay a higher rate of interest than the rate called for in the act by the section which Mr. Finlayson read, 12 per cent, by bringing him to court, the debtor has the right to use as an objection all these things specified in section 7 of the Money-Lenders Act. The money-lender cannot recover on any ground more than 5 per cent, as a matter of fact, if he contracts for more than 12 originally, and 12 per cent if that is the original specification.

Mr. McGEER: Of course, that is perfectly true. But anybody who is in the business, or anybody who takes advice in regard to that act and owed money to a money-lender who had charged more than 12 per cent, all interest and charges included, would be advised at once that the total amount that could be recovered in law would be the maximum of 12 per cent. So that if it is not a general limitation it certainly is a limitation to all those who are advised as to their rights under the act; because you do not have to go to court to refuse to pay. When you know that the money-lender takes you into court, you can pay into court the amount and be absolved from liability. That type of legislation is a definite limitation on the general amount that can be charged. That is exactly what we are trying to put in here.

Mr. MARTIN: Let us have the amendment now.

The CHAIRMAN: Gentlemen, it is not fair to have hurried draftsmanship, and I think we had better adjourn until 9 o'clock to-night.

The committee adjourned at 6 o'clock p.m. to meet again at 9 o'clock p.m. this day.

EVENING SESSION

The committee resumed at 9 o'clock.

The CHAIRMAN: Gentlemen, I am informed that we have a quorum. The business before the committee is the amendment, as I understand it, moved by Mr. Tucker. Mr. Tucker, you have an amendment. Are you ready?

Mr. TUCKER: Yes, I looked it over. I really have not had a chance to consider it. We have been down in the house.

The CHAIRMAN: Take your time.

Mr. TUCKER: Mr. Chairman, in regard to the amendment that I moved, Mr. Finlayson went over it with me and I think incorporated the effect of my amendment in somewhat better language in the amendment which has been distributed.

Mr. VIEN: Have you a copy?

Mr. TUCKER: Yes. There is only one thing I want to say about my own amendment, as I have thought about it since six o'clock, and I will do it quite frankly to the committee, although it is quite a thing to say. I thought that the amendment was preserving the position which I had taken up, but I can see that in one respect it does not. I said I thought it would have that effect, but I can see that, while we have preserved our position on the rate of interest, by giving the right to charge up to one and a half per cent upon the general basis of this amendment, we would be giving the company the right to run the rate up to 2 per cent; whereas I have contended right along and still do contend that under the decision in the Kellie case—for example, I can just indicate that on a \$100 loan the rate of interest would be 7 per cent on the basis of the Kellie case, 2 per cent discount, which would be 4 per cent and the \$10 charge which would be an effective of 20 per cent. That would mean that on a \$100 loan the effective rate that the company can charge today on the basis of the Kellie case would be roughly 21 per cent. No, the \$10 charge would be 20 per cent and the 7 per cent and the 4 per cent would be 31 per cent.

Hon. Mr. STEVENS: 21 per cent?

Mr. TUCKER: No, 31 per cent. The \$10 charge would be an effective rate of 20 per cent, double. So that on \$100, it would be 31 per cent. I was thinking of that. But when I consider the situation in regard to say a \$500 loan at the other extreme, it would be 7 per cent; 2 per cent discount would be 4; and the effective rate of a \$10 charge would be 4 per cent. That would be an effective rate on the Kellie case of 15 per cent. By this amendment of mine I can see that they would be able to charge 24 per cent instead of 15 per cent.

Mr. VIEN: But you cannot base any argument on the Kellie case.

Mr. TUCKER: Mr. Vien says I cannot base any argument on the Kellie case. But I believe that the Kellie case is right. I have proposed this amendment. I did it thinking that would preserve the position which we took up, but I realize that it is not doing so, and I state that quite frankly. That is why I was anxious not to actually definitely commit myself just before the dinner adjournment; because from my experience in law anything you run into, you generally make a mistake in; and I realized that the amendment did not preserve at least the position I took up in regard to the Kellie case. If it were split up so as to restrict the rate of interest to 6 per cent and restricting the company to charges as they are in their charter on the two different heads, then our position would be preserved.

Hon. Mr. STEVENS: That is what your amendment intended to do.

Mr. TUCKER: That is what my amendment intended to do, and I say it does not do what I intended it to do. There is the situation, Mr. Chairman.

Mr. McGEER: Are you withdrawing your amendment?

Mr. TUCKER: I cannot withdraw it.

Mr. VIEN: Do you agree to the amendment as a compromise?

Mr. McGEER: The amendment goes a great deal farther than the suggestion that was made this afternoon. For instance, it never was intended to fix the rate at 24 per cent. It was intended to make that 24 per cent rate an aggregate maximum.

Mr. VIEN: That is what it is, an aggregate maximum.

Mr. McGEER: No.

Hon. Mr. STEVENS: It is permissive; it still preserves the permissive rate. Is that it?

Mr. McGEER: Yes. I would think if you would add in the fourth line: "Instead, the company may, with relation to such loan, make against the borrower a maximum aggregate charge, expressible as a percentage of the principal money loaned", then, of course, you have something that your loan company investigator can go in on. As this amendment is drawn, so long as they do not go in excess of 24 per cent, there is no complaint. There is no difficulty, of course, in dividing it up six per cent to interest and 18 per cent to charges, because you have got, in the first instance, the whole amount. That, according to the company's own attitude, is not necessary. I mean, they have got plenty of evidence before us now where they voluntarily reduced the rate. I do not suppose they reduced it to meet the restriction in the Money Lenders' Act of 1934. I think it was done voluntarily on a good business basis.

Mr. VIEN: Mr. Chairman, I do not believe that there can be any mistake on the attitude taken by those who sponsored the bill and who discussed on behalf of the sponsors of the bill the proposed amendment before the adjournment. The question from the very beginning is very clear. The legislation of 1934 sets out that the aggregate charge of interest and all services shall not exceed $2\frac{1}{2}$ per cent.

Mr. McGEER: No, that is not a correct statement. All that legislation says is if it does exceed that, the minister may recommend to the governor in council and so on, but that does not change the provision of the act at all.

Mr. VIEN: I am not saying that at all. I am saying that an aggregate maximum charge is set up, as a ceiling, at $2\frac{1}{2}$ per cent per month. That covers interest and services. We have discussed throughout ad nauseam the attitude of the sponsors of the bill. This aggregate charge is to be reduced to 2 per cent per month to cover interest and service charges; that has been the attitude of the sponsors of the bill. We thought that this had been made abundantly clear, and that when discussing this amendment before adjournment the position of each party was quite realized. The suggestion was made that this 2 per cent should be split up so that only one-half of one per cent per month should be charged for interest, making a total of 6 per cent per annum for interest instead of 7 which is provided; the rest to be for services incurred in good faith by the company in connection with its business, including all charges and all services necessarily incurred by the company, all actual expenditures for necessary documents and papers, correspondence, professional advice, clerical and other services, etc. This is the outside limit that can be asked from the company as a compromise on the bill as it stands. I hope that our friends will see their way clear to agree to that compromise. I think that Mr. Finlayson could state to the committee that this is a decided improvement on the situation as it stands to-day—at least, it is the sentiment of the company that it is an improvement on the situation as it stands to-day. Is that your opinion, Mr. Finlayson?

Mr. FINLAYSON: Yes. I think it is a very great improvement; and I can see the benefit, from Mr. Tucker's standpoint, of his amendment. I think it is workable; I think it is practicable. I think perhaps it is more workable and practicable than if he had given full effect to what was in his mind before the adjournment. I see very great difficulty in allocating to an individual loan the actual expenses incurred in making that loan.

Mr. VIEN: I think Mr. Tucker would agree in that.

Mr. FINLAYSON: It could be done by the company, but it would inevitably mean larger charges to the borrower. If a company had to consider every individual loan from the standpoint of allocating to that loan its own proportion of every item of expenditure, it would inevitably result in larger charges to the

borrower. If the company is permitted to justify the expense charged to a borrower on the basis of the average expense incurred in carrying on its business, then the charge against all borrowers will be less than if they had to allocate to the individual loans. One borrower may be at the company's door; another borrower may be twenty miles away. If the more remote borrower or the more difficult case had to be charged with its own proportion of expense, that cost would be very much larger than if there is an average amount. I can see that this is the only practical way in which this can be worked out.

Mr. VIEN: Would not any other method simply put the company out of business?

Mr. FINLAYSON: It would make it very much more difficult.

Mr. TUCKER: Probably I should explain more carefully what I meant to say. The attitude of this committee was indicated from time to time, and it showed that they intended to put through the bill as it was proposed, or amended. I believe what Mr. Finlayson says is correct, that this amendment makes it much less objectionable; but on considering the whole position I find that while the amendment improves the bill very much, the charges are higher than I could vote for. That is exactly the position I am in. I believe the amendment is desirable, if the bill is going through, but I cannot vote for the bill even with that amendment in it, because I would be voting for charges that are higher than I can justify.

Mr. BAKER: Who suggested the amendment?

Mr. TUCKER: I suggested the amendment to the bill because it looked as if the bill was going through. It is better to have it as good as possible than to have it go through as it originally was. Still, I cannot vote for it. Frankly, that is my position.

Mr. VIEN: I am taking no exception to the position as stated by Mr. Tucker. Nobody could take exception to it. With his explanation I think the committee should be ready for the question.

The CHAIRMAN: Are you ready for the question?

Mr. McGEER: Mr. Chairman, I was going to suggest if the bill goes through in its present form it will be subject to the very positive objection that it fixes a rate of 24 per cent. Now, if that is insisted upon—

Hon. Mr. LAWSON: You mean under the Tucker amendment or the proposed amendment?

Mr. McGEER: What he has done is to split the 24 per cent as between one-half per cent a month and one and a half per cent. The objection that was raised before, namely, that the features of restricting the charging of expenses unless they were necessarily and bona fide made, were placed in the category of actual disbursements that could only be justified in the past if there was an investigation. Now, under this proposal no investigation or complaint can be made by Mr. Finlayson no matter what charges were made in the books of the company against the borrower so long as the company did not exceed in these charges $1\frac{1}{2}$ per cent per month. The other provision that is left out of the amendment is, the way the preceding part of the section is worded is to nullify the qualifying portions of the section. It simply gives outright. I put this to Mr. Finlayson: suppose you were making an investigation and you found the company charging for services that had not been performed, what could you do? There has been a good deal of complaint about renewals, particularly renewals under a year, which the original charter provided against charging for.

Mr. VIEN: There is a provision which reads as follows: "Such additional charge shall not be payable, however, in case of the renewal or replacement of the loan."

Mr. TUCKER: That is the disbursement.

Mr. McGEER: Disbursements only; not the service charges.

Mr. WALKER: Bonus of one month.

Mr. McGEER: It has not anything to do with the service charges.

Mr. WALKER: Under the amendment there are no service charges except in the percentage.

Mr. McGEER: That is what I say. Quite irrespective of whether you do anything or not, if there is no investigation, no expenses incurred in connection with the loan on renewal, no liability, no disbursements whatever, you are still entitled to charge $1\frac{1}{2}$ per cent per month. You did not have that right under the original bill or under the bill we are amending. That is going a long way farther than I think parliament is prepared to go. I may be wrong about that. I can only warn the sponsors of this bill that there will be no question about the objection that will be raised on that particular provision. I do not know, if we had a maximum aggregate charge—

Mr. VIEN: If those who oppose this bill deem that this amendment does not improve it we are quite ready to stand by the first draft. If this makes it worse we are quite ready to stand by the first draft. The purport of the bill is to make it abundantly clear that the maximum for interest and all charges cannot exceed 2 per cent per month.

Mr. McGEER: What you are doing in this bill is to make it 2 per cent per month.

Mr. VIEN: I believe the question has been discussed sufficiently, and I would suggest,—I do not want to be offensive to anyone—that the committee is informed, Mr. Chairman, and ready for the question.

Mr. TUCKER: Mr. Chairman, I was anxious to have the committee come to a decision and report this bill back to the house. I made this suggested amendment. Since I left the house about half past eight I have seen nobody but I came to the conclusion which I have honestly stated. As I see my amendment it leaves it open to the provinces to intervene, but it has the objections that I mentioned when we were discussing it, and which Mr. McGeer has just mentioned, that they can simply charge 2 per cent, and that is the thing that we have been objecting to right along. I am in this position: While I think the amendment does not increase the rate as an interest rate, it leaves it open to the provinces to step in. Still, until the provinces step in they can charge 2 per cent a month. While I believe the amendment improves the bill, even if the amendment is accepted, I must vote against the clause as amended.

The CHAIRMAN: Are you ready for the question? Those in favour please say—

Mr. McGEER: I should like to propose an amendment to the amendment. I should like to add these words to the fifth line after the words "against the borrower" "the maximum to be charged for."

Mr. VIEN: The maximum aggregate charge. I cannot see any objection to that, Mr. Chairman.

The CHAIRMAN: Will you incorporate that in your amendment, Mr. Tucker?

Mr. TUCKER: Yes.

Mr. McGEER: I have another amendment. "No such charges shall be made for expenses." Is there any reason why the phrase with regard to renewals which was in the original charter should be deleted? I am referring to the fifteenth line from the bottom after the word "months," "And no such charge shall be made for any such expenses, etc." I do not know whether that is the exact wording, but Mr. Finlayson can look it up. "On renewals made within one year."

Mr. FINLAYSON: The wording of the charter is "No charge for expenses of any kind shall be made or collected unless the loan has been actually made or unless such a loan has been renewed after one year from the making thereof, or after one year from the last previous renewal."

Mr. McGEER: There is no reason why that should be deleted.

Mr. WALKER: It is just another means, Mr. Chairman, of reducing the income of the company. The company would go out of business. That is the only reason.

Hon. Mr. STEVENS: It is in the charter now.

Mr. McGEER: You have not gone out of business under the charter during the last five years.

Mr. WALKER: It is entirely different now.

Mr. McGEER: You have operated.

Mr. WALKER: Now you want to reduce it still further.

Mr. McGEER: You are not suggesting that the reductions you are proposing are going to be made up by increased renewal fees, are you?

Mr. WALKER: I have made it as clear as I am capable of making it, that the proposed method of operation under this amendment is merely to lump all the expenses necessary and in good faith incurred in operating the business authorized by the act.

Mr. McGEER: You are giving a pretty wide-open sweep, and you are clearing up any doubts. The amendment gives you a straight 2 per cent a month if you make any bona fide disbursements.

Mr. WALKER: If our bona fide expenses of operating the business authorized by the act exceeded the amount of revenue recovered for the purpose of expenses, then I take it that we have justified the charges. If we cannot say that in the aggregate we have expenses in excess of these we have not justified—

Mr. McGEER: Have you had any trouble with the department? They have not put you to any severe test that you could not meet?

Mr. WALKER: We have had an argument with them on that, and we have for eight years carried on in this way. Mr. Finlayson well knows it is the only way you can operate, without, as he has explained already this afternoon, increasing the cost of operations which obviously has to be borne by the borrower out of all reason. It does not do the borrower any good; it does him a great deal of harm. If we had to keep a ledger account for each separate loan and segregate the expenses and allocate them to separate loans, obviously the cost would be out of all reason.

The CHAIRMAN: What is your opinion, Mr. Finlayson?

Mr. FINLAYSON: I do not believe these words suggested by Mr. McGeer are in keeping with the framework of this amendment.

Mr. McGEER: How many renewals do you believe this company could charge within a year? The suggestion is, unless for some reason or other the position of the borrower is substantially changed, there is no additional expense.

Mr. FINLAYSON: I should explain that under the original charter there were specific charges such as a chattel mortgage fee. These words that I have read were intended to prevent this situation: suppose the company made a loan for six months. A chattel mortgage fee of \$10 would be charged to the borrower. The loan would fall in for renewal at the end of six months. It might not be paid and would have to be renewed. The company without these words might re-impose the \$10 charge on the borrower. Now, this amendment gets rid of these specific charges so that I do not think—

Mr. CLEAVER: It is made on a monthly basis.

Mr. McGEER: I mean the percentage which is allowed over a period of years, taking the small and the large together, don't you think it is quite adequate to take care of expenses?

Mr. FINLAYSON: I do not think it would be, because on this basis we add a flat monthly rate of interest. Now, if the loan is renewed the balance outstanding simply bears the 2 per cent, or whatever it is, rate of interest.

Mr. McGEER: There is no specific charge to be made against the borrower.

Hon. Mr. STEVENS: There is the penalty, one month, of course.

Mr. VIEN: That is dropped in cases of renewals.

Mr. FINLAYSON: That cannot be charged on a renewal of a loan.

Hon. Mr. STEVENS: It may be under this amendment.

Mr. FINLAYSON: No.

Mr. VIEN: The amendment states: "Such additional charge shall not be payable, however, in case of the renewal or replacement of a loan." I do not believe you should insist, Mr. McGeer.

Hon. Mr. STEVENS: Renewals are not made as renewals of the loan. The new loan is given and the old loan paid off. When the old loan is paid off the 1 per cent per month is charged.

Mr. FINLAYSON: It would be the very same. The vital thing is the amount of the balance, whether it is the old loan, or a new loan, or a replacement, or an increased loan. The important thing from the borrower's standpoint is the amount of the balance owing and that determines the rate and the money he pays. There are some of those words, I think, that might be applicable; but "no charge for expenses of any kind shall be made or collected unless the loan has been actually made"—of course, that would be quite unobjectionable from the company's standpoint; they do not intend to make any charge against an applicant whose application does not turn into a loan. That would be—

Mr. McGEER: I do not think that cuts any ice.

The CHAIRMAN: Are you ready for the question?

Mr. VIEN: I do not believe you should insist, Mr. McGeer. The first amendment is quite all right. A maximum aggregate charge to the later one is a further curtailment.

Mr. McGEER: The only thing that strikes me is that it is in there, and there is some very good reason for deleting it from the original charter, and that is why I would like to move the amendment.

Mr. CLEAVER: I think you have confused it, for this reason: these services, under the old set-up, were in the nature of a lump sum, all taken off at once; under the new set-up, it is a monthly proposition.

Hon. Mr. STEVENS: But they are computed.

Mr. CLEAVER: All that would be necessary would be to ask for a renewal after one month's or two months' time and then you would not have to pay any renewal charges.

Mr. VIEN: Mr. McGeer's amendment as read is that he proposes that the following words be added to the paragraph—

Mr. McGEER: —after the word "month" in the fifteenth line.

Mr. VIEN: It should be at the end of the paragraph as it is in the former legislation. You might start by saying, "Provided, however, that no charge for expenses of any kind shall be made or collected unless the loan has been actually made or unless such loan has been renewed after one year from the making thereof, or after a year from the last previous renewals." That is your amendment.

Mr. McGEER: Yes; that is all right.

Mr. VIEN: The question is on this amendment.

The CHAIRMAN: Does Mr. Tucker incorporate that amendment within his amendment?

Mr. TUCKER: Yes.

Mr. VIEN: Mr. Tucker has submitted a proposed amendment to the clause as submitted to him; Mr. McGeer now moves the words that I have just read.

The CHAIRMAN: Mr. Tucker wishes to incorporate his amendment in this?

Mr. TUCKER: Yes.

Mr. VIEN: I submit that we should vote on Mr. McGeer's amendment.

The CHAIRMAN: Have you heard the amendment?

Mr. WALKER: May I speak? I want the committee to understand that, of course, the whole of this bill is worked out on the basis that the company must have 2 per cent on the loans and all of the loans that are outstanding. To pass this amendment is just virtually killing the company. If that is perfectly clear, that is all I need to say.

Mr. VIEN: The question is now on Mr. McGeer's amendment.

Mr. McGEER: Just a minute. What you are saying now, Mr. Walker is a very different thing from what I have understood all the way through, and that is that you lump your charges generally to get your aggregate return, and by varying your charges to your small loans and varying your charges on your large loans you get a general aggregate. Now, the amount you get for a renewal is not part of your profit, but it is part of your disbursements. It has never been suggested that you are charging anything for services and fees that is not made as a result of your overhead expenditures to the actual specific obligations that each loan involves, a good deal of it being in the investigation of the borrower, first, and the supervision of the claims of the borrower. Now, surely, it is not necessary to take a loan and choose a perfectly good renewal where no expense is involved and add $1\frac{1}{2}$ per cent on that; but if there were such instances you could refuse to renew the old loan, and you could force the making of a new loan with new endorsers. I mean that there are a great many ways by which this can be avoided. But it does seem to me that the framers of the original act had in mind to limit the exploitation of charges for fees and services so that they could not and would not become part of the profit-making activity of this company. As I say, it may be that you suggested stretching your loans out to eighteen months, and unless there is a great deal more importance attached to that right to charge on each renewal the full amount of the $1\frac{1}{2}$ per cent interest, I cannot see that there can be much objection to this amendment; but you have had that in operation ever since your company was incorporated.

Mr. FINLAYSON: I would suggest to Mr. McGeer that the adoption of these words would have an effect that, perhaps, he has not foreseen. The aggregate charge permitted by this amendment is 2 per cent. Then it is split up between interest and expenses. One-half of one per cent is to be allocated to interest—not more than one-half of one per cent—not more than $1\frac{1}{2}$ per cent is to be allocated to expenses.

Mr. McGEER: A maximum.

Mr. FINLAYSON: Yes, a maximum—not more. Now, would you suggest that no charge for expenses shall be made on renewal of the loan?

Mr. McGEER: On a renewal, unless it is beyond the year.

Mr. FINLAYSON: Beyond the year. Supposing a loan is made for six months. The new company now lends only for twelve months, but on this new set-up I can easily see that they would lend for shorter periods, as suggested by Mr.

Stevens. Supposing they lend for six months, the loan is not repaid at the end of the six months and has to be renewed; then the adoption of this amendment would immediately, automatically reduce the charge that the company might make against that loan to the interest element one-half of one per cent, and thereafter they could not charge the $1\frac{1}{2}$ per cent because that is for expenses. I think that is a little far-reaching.

Mr. McGEER: Of course, what I am informed is that there is a renewal process takes place before the loan falls due. For instance, a man borrows \$120; he pays off \$60; he comes in and a good salesman sells him a proposition of borrowing again for \$120, but he gets only \$60 because he pays off the other loan. Unfortunately, that works the other way. He has had the money and has used it, and he pays the full amount of $1\frac{1}{2}$ per cent although he is actually only getting \$60. That is the amount he has paid off the old loan. I am not suggesting that he should get a renewal of \$120 for less, but I am suggesting that by leaving it wide open for the company to make a renewal within the current period of the existing loan is presenting an opportunity to increase if you allow the full rate. Now, it may be that there is a certain percentage on the extension of the period that should be properly included in the new loan. That is, there is undoubtedly the collection charges, and the supervision of the debtor; and that supervision is, apparently, a very close one. But it does seem to me that there is something, possibly, coming to the company and something, possibly, coming to the borrower on renewals that are made of that type. Now, I do not want to be unfair to the company. I am trying to discuss this amendment, although I am not in sympathy with it; I am, as you know, opposed to this whole type of legislation; but I am trying to discuss this legislation in the hope that some improvement might be made.

Mr. FINLAYSON: I do not think that renewal clause should be insisted upon, because I believe it is quite out of keeping with this new basis of lending. If a loan is renewed or increased and the old loan is paid off, the balance is simply increased or changed, and it bears its 2 per cent. If anything, the company should, perhaps, be reimbursed for the trouble in renewing the loan.

Mr. McGEER: Suppose a man borrows \$120. He pays off \$60 and he owes \$60. That is, we will say, a six months loan. He takes another loan for \$120. He pays off \$60 and he gets \$60. Does he pay $1\frac{1}{2}$ per cent on the \$120, or $1\frac{1}{2}$ per cent on the \$60?

Mr. FINLAYSON: His new balance is \$120, is it? His new balance of loan outstanding is \$120. Then the company continues to charge 2 per cent a month—\$2.40 for the first month.

Hon. Mr. STEVENS: That, I submit, is not the way the matter is worked. A loan is secured for \$120, and they come down to a certain period where they want some more money and they go into the company and they want to enlarge the loan or get some more money. The process, as I understand it, in practice, is this: the company will say, "Yes, you are perfectly good and we are satisfied with your credit; you have kept up your payments; but in order to make this new advance you must pay off the old loan. Therefore, we will make you a new loan of \$120"—an absolutely new loan—not calling it a renewal at all. Then the company will pay off whatever balance is still remaining unpaid of the old loan and charges are carried into the new loan and the man pays on the complete new loan. That is the practice as I understand it.

Mr. FINLAYSON: Yes. You see the old basis of loaning and the old system of charges gave some incentive to that method of dealing, because they had an excuse then for re-imposing the chattel mortgage charge and the 2 per cent extra expense; but that is all swept away by this amendment.

Mr. McGEER: If I owe a man \$60 and I borrow \$120, I owe him \$180. I pay off my \$60 loan. I pay \$60 in cash, and I still owe him \$120, so the amount outstanding on the loan is \$120. Now, the borrower has only got \$60.

Mr. VIEN: On which he will pay 2 per cent per month.

Mr. McGEER: Oh, no. Maybe Mr. Reid could explain.

Mr. REID: As I understand it—we will revert to this \$120—the man gets his balance down to \$60 and he comes in and says that he wants \$60 more.

Mr. McGEER: No; \$120.

Mr. REID: You see he gets \$60 new cash. Is not that right? Suppose he does sign a new note for \$120 additional and pays off the old \$60 balance, he owes the company \$120 and he pays an interest charge of 2 per cent monthly on that \$120.

Hon. Mr. LAWSON: He is paying \$1.20 for the \$60.

Mr. REID: Yes; \$1.20 for the new \$60, so it is just the same as if he had two loans of \$60. If he signed a new note for the \$60, new cash, he still owes the company \$120, and he is going to pay 2 per cent on \$120, whether he pays it on two sums of \$60 or one sum of \$120.

Mr. McGEER: That would be true if the \$60 did not come to you. For instance, if he wanted \$60 to pay somebody else off. But what happens is this: you get \$120 from him and you take \$60 to liquidate his liabilities, then you lend that same \$60 back to him.

Mr. REID: But still there was that \$60 which took the place of the \$60 that he got.

Mr. CLEAVER: Might I interpose one observation which might clear it up; the borrower has not paid a service charge on the \$60 that is repaid, he has only paid the monthly charge on that.

Mr. McGEER: He has paid it, up to the time of its repayment.

Hon. Mr. LAWSON: That was only under the old system. That would be done away with by this amendment.

Mr. McGEER: If you reduced the amount of that outstanding loan to \$60 then you get what you think you have got here, that is one and a half per cent on the actual money in the hands of the borrower; that is, on what he has got outstanding, and the amount he has outstanding is \$120.

Hon. Mr. LAWSON: He still has \$120 of the lender's money.

Mr. TUCKER: I would like to ask Mr. Finlayson this: Is your interpretation of that very case—of a man getting a renewal, where there is no investigation necessary, no new mortgage necessary, nothing new necessary except the signing of a new note—is your interpretation then of this amendment that they can charge—and it says, services that are bona fide incurred there—that it entitles them to charge one and a half per cent. I certainly thought that the effect of that amendment would be that where there were no services given at all they could not make a charge. If you interpret the amendment to mean that they can go on making the charge without giving any service at all, then the amendment does not do what I think it ought to do.

Mr. VIEN: You know what Mr. Reid said; at the end of 6 months when you discuss the question of renewal you have again to investigate the circumstances of the borrower.

Mr. TUCKER: Not necessarily.

Mr. VIEN: They may be changed considerably.

Mr. TUCKER: Not necessarily. Now, just a minute; if the effect of this amendment is to leave the company with the right to charge when they have actually made no expenditures at all or incurred no costs at all, that they can go on and charge one and a half per cent just the same, then the amendment does

not mean anything. I think it is quite plain. The amendment as I understood it says this: All charges and all disbursements made in connection with a loan, and all these charges relative thereto, necessarily and in good faith incurred by the company. Now then, what charges are disbursements, and what charges are necessarily and in good faith incurred if a person simply renews his loan? Now then, if it gives that as a matter of course then the amendment does not amount to anything; and that as a matter of fact is what I am not quite sure on, and was not when I thought it over by myself before I came back to the committee; that this amendment does not mean a thing; I mean, in regard to restricting these charges. It does mean this; that it does not increase the rate of interest to 24 per cent; but it apparently lets the company make a charge for services which it does not render. I thought the insertion of the words, necessarily and in good faith incurred, into the amendment would have the effect desired, but if it does not restrict the company in any way it does not do what I expected it would do.

Hon. Mr. LAWSON: In respect to a renewal, surely no one would expect anyone in the business of lending money to be so negligent as not to investigate—

Mr. TUCKER: You don't have to charge them for a chattel renewal—

The CHAIRMAN: Order, Mr. Tucker, please.

Hon. Mr. LAWSON: You would not expect anyone to be so negligent as to renew a chattel mortgage or a loan such as this without ascertaining whether a man's income were the same as it was before, and without ascertaining whether the chattels held under the mortgage were in existence as formerly; without going practically through the same formula as before. Then, another point with respect to a chattel mortgage is that it has got to be replaced at the end of one year. In order to be legal it has to be renewed at the end of every year, or it no longer gives security against subsequent creditors without notice—

Mr. TUCKER: A renewal is not so hard to draw as the original.

Hon. Mr. LAWSON: My recollection of it is that it is just as lengthy.

Mr. TUCKER: This company is doing business in Ontario—

Hon. Mr. LAWSON: I heard some one say, and I think it was a lawyer at that, that it was a simple thing to draw a chattel mortgage. All I have got to say is that if anyone wants to read the law reports of the province of Ontario they will find that there are more chattel mortgages set aside for defects than any other security of any kind ever drawn by any lawyer in the province of Ontario. It is very technical, it has to comply with the Act. It is completely statutory, and unless you comply with all the provisions of the Act you are going to run into difficulties. I heard some gentlemen here say that they would be glad to take the job of turning out chattel mortgages in their law offices for \$5 apiece. Well, all I can say about that is that the solicitor is practically a guarantor of the sufficiency of the security, and I for one would never dream of drawing up a chattel mortgage for anything like the fee suggested here. I abhor the sight of one whenever it comes into my office. I submit in respect to this type of business that they do incur practically the same expense in connection with a renewal as is the case with a loan.

Mr. McGEER: That would be true if it were not for certain facts which are perfectly evident to anyone who stops to think about it. In a renewal in a case like this you have the record of performance of the man who has made the loan. In addition to that, as is clearly indicated, you have very close supervision of this man's activity during the period of the currency of the loan. I mean, this company prides itself on that check. There are, of course, persons who are not accustomed to drawing chattel mortgages to whom such business would present quite a problem, and to them a chattel mortgage would be a special document; but this type of chattel mortgage is largely reduced to a basis of standardization similar to that found in a bill of lading, which is the

most technical of all documents. I venture to say that Mr. Reid will say that these chattel mortgages are not drawn in each and every case by a legal firm, and that the disbursement is not paid out to a legal firm for a chattel mortgage.

The CHAIRMAN: Mr. Reid has said that.

Mr. McGEER: I just want Mr. Reid to make the statement a little clearer—

Mr. REID: Of course the actual cost of typing a chattel is a very negligible part of our expense.

Mr. McGEER: That is what I say.

Mr. REID: This chattel mortgage itself is only one part of our operation.

Mr. MARTIN: Even when you are renewing a loan to a man whom you already know, that renewal cannot be extended without an investigation.

Mr. McGEER: Do you make a very close investigation of your renewal borrowers?

Mr. REID: Yes. We don't know what the circumstances will be six months or a year after the initial loan has been made.

Mr. McGEER: The person borrowing may become an entirely different person, I know that.

Mr. REID: The paying capacity of the borrower is only one of the things that we look at. Often times an account which had a good record for payment will grow doubtful and become a loss. At the same time a man who starts out as a poor pay often develops into a good account. That is only one thing that we look at in considering this thing: but just so long as these accounts are on our books they are constantly requiring supervision and follow-up.

Mr. McGEER: Can you give us any idea—

Mr. REID: We invariably require to look at those chattels again, and make no loans without a mortgage renewal. Take on an original loan of \$120 with a \$60 balance. That man has paid his loan down to \$60. That chattel mortgage is no longer a chattel mortgage for \$120. It is a chattel mortgage for \$60; and if you advance him \$60 more you would have to draw a new chattel mortgage. A renewal of the loan does not cover it.

Mr. McGEER: Now, with regard to that, on the loans that you have to-day you have to draw a chattel mortgage.

Mr. REID: I am sorry; I do not think it is fair to ask me to go into all this again. I spent two or three days on it and that is all on the record.

Mr. McGEER: I do not think it should be necessary for me to take instructions from the witness. I think you should sit down—

Mr. REID: If it is the wish of this committee that I go into all this again and repeat what I have already given into the record, all right.

Mr. McGEER: We have at last got the information that I was trying to get, that the cost of drawing a new chattel mortgage is negligible.

Mr. VIEN: May I suggest that it is now 10 o'clock.

The CHAIRMAN: Are you ready for the amendment, gentlemen.

Hon. Mr. STEVENS: What are we voting on?

The CHAIRMAN: On Mr. McGeer's amendment to Mr. Stevens' motion, as I understand it: that the following words be added at the end thereof, "provided however that no charge for expenses of any kind shall be made or collected unless a loan has been actually made, or unless such loan is to be a renewal after one year from the making thereof, or after a year from the last previous renewal." All those in favour of Mr. McGeer's amendment please say yes; those opposed please say no.

Hon. Mr. STEVENS: Record the vote.

The CHAIRMAN: Record the vote.

Mr. BAKER: Is everybody satisfied with this amendment?

Mr. VIEN: No, no; this is Mr. McGeer's amendment, not Mr. Stevens'.
The Clerk having recorded the vote it showed, yeas 6, nays 12.

The CHAIRMAN: The amendment is not carried. Now the question is on Mr. Tucker's amendment.

Mr. VIEN: With the amendment suggested by Mr. McGeer which Mr. Tucker accepted.

The CHAIRMAN: With the amendment which Mr. Tucker has accepted.

Hon. Mr. STEVENS: I just simply want to say that this certainly in my opinion does not meet the situation, I am voting against it.

The CHAIRMAN: Shall we call the roll?

Mr. MARTIN: Yes.

The CHAIRMAN: All those in favour of the amendment will say yes; those opposed will say no.

The CLERK: Yeas, 14; nays, 5.

The CHAIRMAN: I declare the amendment carried.

Hon. Mr. STEVENS: May I ask if the information asked for has been produced?

Mr. VIEN: What information?

Hon. Mr. STEVENS: The information that was promised this afternoon.

The CHAIRMAN: I think we voted on that.

Mr. VIEN: There was a motion by Mr. Stevens that the officers of the company should be called upon to file this. Upon that motion being put, the motion was negatived.

The CHAIRMAN: I think that is right.

Mr. McGEER: We had a letter from the Department of Justice to cover that.

Hon. Mr. STEVENS: Mr. Chairman, I am rather surprised at that statement, because no such thing was done.

Mr. VIEN: Is not that the motion that was put?

Hon. Mr. STEVENS: I moved that further consideration be deferred until it was produced; and subsequent to that arrangements were made that it should be produced.

The CHAIRMAN: Do you want the resolution?

Hon. Mr. STEVENS: I do not want it. It does not affect my position at all.

Mr. McGEER: Would you read it out?

The CHAIRMAN: Moved by Mr. Stevens that section 3 stand until the information requested be produced and that we proceed to consideration of the balance of the bill.

Hon. Mr. STEVENS: Yes.

Hon. Mr. LAWSON: It was voted upon.

The CHAIRMAN: Yes, it was voted upon and turned down.

Hon. Mr. STEVENS: Subsequent to that I examined Mr. Reid at considerable length, and it was agreed to produce these loans. I gave the numbers and they were all taken down; and Mr. Walker, I think it was, or Mr. Reid, said they had sent down to the office for the loans and would get them. Now I am simply asking, Mr. Chairman, that these typical loans should be produced.

Mr. MARTIN: We certainly decided against that.

Hon. Mr. STEVENS: You did not.

Mr. VIEN: There is nothing further, Mr. Chairman, before the Chair except the question as to whether you shall report the bill.

Hon. Mr. STEVENS: Oh, yes. The section has not been carried.

The CHAIRMAN: No. The amendment has been carried. The section as amended has not been carried.

Hon. Mr. STEVENS: No, certainly not.

The CHAIRMAN: The section as amended is not carried.

Mr. VIEN: Mr. Chairman, the motion that we have just voted on is the section.

Hon. Mr. STEVENS: No, no.

Mr. VIEN: "That Bill No. 58 be amended by striking out all of sections 3, 4, 5 and 6 thereof and by substituting the following therefor." If the question is on the amendment or on section 3 as amended, let us have it now.

The CHAIRMAN: I think that is right.

Hon. Mr. STEVENS: That is quite right. The question is on the section.

Mr. VIEN: On section 3 as amended.

The CHAIRMAN: Yes, on section 3 as amended.

Hon. Sir EUGENE Fiset: Shall section 3 as amended carry?— That is the question before the chair now?

Hon. Mr. STEVENS: As a matter of fact, I have another amendment that I am waiting to make.

Mr. VIEN: Not to section 3?

Hon. Mr. STEVENS: Yes, I am waiting; I notified the committee four days ago that I had three amendments that I proposed to make. I am asking again, Mr. Chairman, if the information asked for has been tabled as requested and as agreed to by the company?

Mr. MARTIN: My understanding, Mr. Chairman, is that we voted, in view of the time at our disposal and our desire to get the matter into the house, that we should not proceed with consideration of that matter. That is my recollection, and we voted accordingly.

Hon. Mr. STEVENS: Oh, no.

Mr. MARTIN: Has the clerk got the minutes there?

The CLERK: No.

Mr. MARTIN: Or the report?

Mr. McGEER: The record will clear that up.

Mr. MARTIN: What do you mean? Let us have it decided.

The CHAIRMAN: Well, have what decided? We have voted on this amendment and the amendment was not carried. The record will show that.

Hon. Mr. STEVENS: Mr. Chairman, I quite understand it might slip anybody's memory. But just to refresh your memory, after that was defeated, then the examination of Mr. Reid occurred and I asked for these loans and Mr. Walker took them down. There was quite an argument as to the numbers. I gave too high numbers. Then I reduced them to meet the wishes of the company, and the statement was made that these could be gotten; and they had sent down to the office for them.

The CHAIRMAN: My memory, Mr. Stevens, was that the numbers were related before we voted on the amendment.

Hon. Mr. STEVENS: No, no.

The CHAIRMAN: That is my memory. The record will show it, whatever it is.

Hon. Mr. STEVENS: Mr. Chairman, I am going to ask this question: Do I understand that the company refuses to produce the sample loans which

were requested not only to-day but on previous occasions, and of which the numbers were taken by the representatives of the company here this afternoon and which they agreed to produce?

Mr. WALKER: I have made it quite clear that I was not refusing to do that. But I asked that I should be instructed by the committee, and I certainly interpreted the instructions as being that we did not have to go on with it. I sent for this information and then cancelled it after that.

Mr. VIEN: And that is my recollection.

Hon. Mr STEVENS: Mr. Chairman, I am asking for your decision on this. I am amazed at the statement of Mr. Walker.

Mr. JACOBS: Let us see what the record discloses.

Mr. VIEN: We have not got it here. But besides, Mr. Chairman, when Mr. Stevens suggested that this inquiry should be carried out along these lines, we pointed out that it was defeating the purpose of the bill, that it would be impossible to report the bill on time if we went into that investigation. Thereupon the chair asked Mr. Stevens to put his motion down; thereupon a vote was taken and it was decided that the motion should be turned down.

Hon. Mr. STEVENS: I cannot agree with that at all. I might remind the chair of another feature of it. I was then asked—I think by yourself, Mr. Chairman—would I be satisfied with Ottawa loans.

The CHAIRMAN: I think that was before the motion. That was my recollection.

Hon. Mr. STEVENS: Mr. Chairman, are we to be refused this information? That is all I want to know.

Mr. MARTIN: No, you are not being refused.

The CHAIRMAN: That is for the committee to decide. We said that this afternoon.

Mr. VIEN: If Mr. Stevens has any motion to make, he may make it. But the question before the chair now is that section 3 as amended should carry.

The CHAIRMAN: Mr. Stevens gave notice some time ago that he had an amendment to propose. My recollection is clear on that matter.

Hon. Mr. STEVENS: I have three.

Mr. VIEN: Will you move them?

Hon. Mr. STEVENS: I am entitled to this information, Mr. Chairman; and I am sorry to say that I disagree with your recollection in this.

The CHAIRMAN: Well, Mr. Stevens, the record will show which of us is right.

Hon. Mr. STEVENS: Quite so. But I recall it so clearly, that subsequent to the turning down of the motion that the clause should stand, then we had this conversation and the agreement, and Mr. Walker said that he had sent away for the information. I intimated over and over again that it would not take long, as these were serially numbered loans and could easily be picked out. I think I asked for about a half a dozen.

Mr. BAKER: Mr. Stevens, could your recollection possibly be wrong? The others seem to think otherwise—the majority.

Mr. McGEER: I think we ought to have the record cleared up. There may be some doubt whether it was asked for, and I am going to move now that the information—I would like to move that the officials of the company be requested to produce the information with reference—

The CHAIRMAN: Will you write out your motion, Mr. McGeer?

Mr. KINLEY: Is it not the main motion that you must put after your amendment?

The CHAIRMAN: No. Mr. Stevens has an amendment.

Mr. KINLEY: Another amendment.

The CHAIRMAN: Yes.

Hon. Mr. STEVENS: I would like to ask that the clerk should send for those records. They are probably typed long ago.

Mr. VIEN: Whatever we have done this afternoon, is done. If there is any misconception about it—my mind is quite clear about it. I have no hesitation in saying that all that discussion took place before you asked Mr. Stevens to put his motion in writing and then we voted on it. But I am quite willing to admit that I may be mistaken. However, I do not believe I am. But whatever was done this afternoon, that has been done and passed. We have moved since then. We have amended the act and now the only question before the chair, unless a motion is being made, shall section 3 as amended carry?

Mr. KINLEY: Mr. McGeer makes a motion.

The CHAIRMAN: Mr. Vien, sometime ago—yesterday or this morning—Mr. Stevens gave notice that he had one, two or three amendments to move.

Mr. VIEN: But they have not been moved.

The CHAIRMAN: No, but he intends to move them. He is waiting for Mr. McGeer.

Mr. MARTIN: Mr. Vien is not opposing that.

Mr. VIEN: No, I am not opposing that. I quite agree that Mr. Stevens has the right to move an amendment. But what is before the chair now is section 3 as amended.

The CHAIRMAN: Yes; except Mr. McGeer is giving us another motion.

Mr. VIEN: If there is any motion, we are willing to consider it.

The CHAIRMAN: Mr. McGeer, have you got your motion ready?

Mr. McGEER: Yes. I move that the company's officials be requested to produce the information requested by Mr. Stevens this afternoon, namely, a number of the company's records of loans actually made to citizens in Ottawa.

Hon. Mr. STEVENS: Of which the numbers were given, or suggested numbers given.

Mr. McGEER: And which were indicated by number.

Hon. Mr. STEVENS: That is fine. Now, Mr. Chairman, before that motion is adopted by the committee I should like to say this. If the clerk has a record we might verify my recollection of what took place, and what one member of the committee said all the other members of the committee say took place, which I think was a slight exaggeration.

Mr. DEACHMAN: Were these loans to be made public, and the names of the borrowers?

The CHAIRMAN: No, they were not.

Hon. Mr. STEVENS: This is not the record. Where is the balance of the record for this afternoon?

Mr. VIEN: At any rate, I do not believe it has any bearing on the matter before us.

Hon. Mr. STEVENS: Mr. Chairman, I have a fairly good idea of the process of carrying on the work of the committees. I submit to you that the records of the committee as taken by the reporters are typed and are available to this committee. I would respectfully ask the clerk of the committee to bring the record in here. It would take but five minutes.

The CHAIRMAN: That is all we have.

Hon. Mr. STEVENS: I shall leave the committee and get it myself if the committee will sit here and wait till I come back. The clerk can go and get it.

The CLERK: I have not received any record.

Hon. Mr. STEVENS: That is not the sort of treatment that members are entitled to. The clerk says "I have not received any record." The records are in the hands of the reporters; they are available.

The CHAIRMAN: Mr. Morris, will you see what you can do. What is the record that you handed Mr. Stevens?

Hon. Mr. STEVENS: The Minutes.

The CHAIRMAN: I think the Minutes will confirm—

Hon. Mr. STEVENS: They do not.

The CHAIRMAN: Now, we have Mr. McGeer's resolution.

Mr. VIEN: Mr. Chairman, I do not believe that what took place this afternoon has any bearing on the question before the committee. Whether Mr. Stevens is right or wrong the question is whether we shall reopen the investigation and carry on. I say that is defeating the purport of this bill and defeating the underlying duty of the committee. At this late hour it would be impossible to report if we reopened the investigation. Therefore I am opposed to the amendment on that ground.

The CHAIRMAN: Will you read Mr. McGeer's handwriting?

Mr. VIEN: We have heard it. Mr. McGeer read it.

Mr. MARTIN: I am opposed on the same ground.

Mr. VIEN: We are ready for the question.

The CHAIRMAN: Mr. McGeer moves "That the company's officials be requested to produce the information requested by Mr. Stevens this afternoon, namely a number of the company's records of loans actually made to citizens in Ottawa and which were indicated by numbers." All those in favour please say yes; those opposed please say no. Record the vote.

(After the vote was taken the chairman declared the motion lost.)

Now, Mr. Stevens, you have some amendments.

Hon. Mr. STEVENS: I wish to indicate my protest at the refusal of the committee to permit the filing of this information. I beg now to move an amendment as follows: That the word 'five' in the second line of paragraph 4 thereof be struck out and the word 'three' substituted therefor." In moving that I draw the attention of the committee to the very great emphasis that has been placed throughout this enquiry by the company on the fact that a very large proportion of their loans are under \$300; also the emphasis that has been placed upon the fact that this company is desirous of promoting loans among these needy borrowers who require small amounts. In support of this it has been pointed out very very frequently that the average loan of the company in 1936 was \$169; that these very urgent representations indicate that the substitution of the limitation of \$300 for \$500 cannot possibly be termed an injury to the company. In the second place I wish to point out that the new provisions made by one of the banks, and which possibly may be followed by others, of providing a small loans department will take care of this class of needy borrowers in the higher bracket. In the third place I suggest to the committee that a borrower who can afford to borrow upwards of \$300 to \$500 is a type of borrower who should go to an institution such as a bank where lower rates of interest are secured. Without delaying the committee further by arguing these reasons, I submit the amendment which I have just handed in and ask the committee to give favourable consideration to it.

The CHAIRMAN: What is your pleasure with regard to Mr. Stevens' amendment?

Mr. McGEER: Is there any reason to justify the reductions? By the amendment you are giving a flat rate of 2 per cent. That is the way this amendment reads. That is considerably more than the company had even under its own computation before.

Mr. VIEN: It is an opinion.

Mr. JACOBS: May I ask you this question: why select this company and restrict them to \$300 when there are two other companies functioning on loans up to \$500?

Mr. MARTIN: And the companies under the Money Lenders' Act.

Mr. McGEER: I do not think we should allow that. What I am proposing is a start.

Mr. JACOBS: You cannot make a change with regard to those companies this year.

Mr. McGEER: I have suggested a way by which it could be done if we want to deal with it.

Mr. MARTIN: You as a lawyer know it cannot be done. Go on.

Mr. McGEER: What I am saying applies to all companies. It is regrettable that it has not been attended to before. I do not believe the privilege should ever have been given to extend loans up to \$500 because the standard and well established practice in this has gone into instalments in this type of legislation as a remedial measure, and has gone very far in fixing the limit at \$300.

Mr. MARTIN: What were the circumstances that provoked that?

Mr. McGEER: I venture to say you are going to see these lending operations on a very different basis during a time such as we are enjoying to-day as compared with conditions that obtained during the last seven years. It has to be remembered this company has gone through one of the most trying depressions due to a shortage of money.

Mr. REID: No.

Mr. McGEER: They admit going through successfully—

Mr. REID: May I just interrupt you for a second if you don't mind. On several occasions now I have tried to explain to this committee that the bulk of this business has been put on our books during the last four years after we started to come out of the depression. The Household Finance Corporation acquired control of this company in 1933. Since that time the business has increased nearly eight-fold. Therefore the bulk of our business, certainly the business that is on our books to-day, has been put on since that took place. That expansion has taken place during the last four years, after we started to come out of the depression. It is not business that came to us during a period of depression at all. People come and borrow money from us not when they are out of work but after they get back on the job and realize that they have certain debts they want to pay. Their creditors know they are back on the job and want their money, and rightly so. And it is these honest, decent people who want to stand on their own feet, hold their head up, who come to us and borrow money. When they have some assurance of their own capacity ahead of them they come to us. So it is quite unfair to say that this business has weathered the depression. We have not. We have not gone through a depression in Canada. We do not know what would happen in a depression. As I explained on a couple of occasions it is very hard to say what would happen to this business if there was an epidemic of flu, or if we had floods, or another depression such we experienced from 1929 to 1933, for instance, or if we had a war. We do not know what the hazards are in this business.

The CHAIRMAN: Proceed, Mr. McGeer.

Mr. McGEER: During the period of recovery we are enjoying in Canada—I think we pretty definitely know that we are in a period of recovery to-day—a great number of people are finding employment, permanent employment which, of course, will increase the number of borrowers. Now, putting this company on the basis of service to the community in regard to the loans over \$300 and up to \$500, I think it may be said that the Bank of Commerce has gone into that type of business. I do not think we are wise in putting this type of money lending company into the realm of the merchant banking business unless we are prepared to meet a reasonable demand from the merchant banks of Canada that they be given the same privileges on the rates of interest on the same type of loan that parliament has given to this company. It is all very well to say that this company does not engage in the same type of lending business as the banks; I venture to say there is very little difference in the type of scrutiny and the type of borrower that is required for a loan over \$300 by this company than there is by the banks. Now, the hope, of course, of the originators of this type of legislation was to remedy exploiting by loan shark activities, and with that remedy would largely come loan companies limited to loans of \$300 being compelled to do the business of the small borrower. You are doing, by this legislation, two things that violate the fundamental principles which justified the legislation in the beginning: you are moving small money lending into the realm of big business and, secondly, you are eliminating the need for the loaning company to pay as much attention as it should to the small borrower.

Mr. MARTIN: You have obviously read the Russell Sage Foundation report?

Mr. McGEER: I have read about half of it.

Mr. MARTIN: And you will note that where the uniform act was applied as the results of their efforts and the loans were limited to \$300, in no place where the Small Loan Act operates will you find as low a rate as 2 per cent.

Mr. McGEER: I have not gone through that book, but I say that there is a great deal in that book that needs further study. It is obviously a digest.

Mr. VIEN: Mr. Forsyth the other day gave us the information collected by him from eighteen or twenty states, and he told us that if the maximum was reduced to \$300 the interest rate should be at least 3 per cent on \$100 and 2 per cent on the balance between \$100 and \$300.

Mr. McGEER: Of course, on endorser loans in Quebec the rate is $1\frac{1}{2}$ per cent. No doubt he would like to get that.

Mr. VIEN: Not only would he like to get that, but he stated that that would be the minimum rate that they could afford to charge and continue in operation.

Mr. McGEER: He said he had no experience in that regard, but if they were reduced to that level they would give the thing a trial.

Mr. VIEN: And if he had that basis of 3 per cent on \$100 and 2 per cent above that on balances it would work out as he suggested on balances as follows: up to \$100, 3 per cent; from \$200 to \$300 it would be 2.73 per cent per month; from \$300 to \$400 it would be 2.54 per cent per month; from \$400 to \$500 it would be 2.35 per cent per month.

Mr. McGEER: Those are Mr. Forsyth's figures. Of course, he was scoffed at by all the gentlemen on that side.

Mr. MARTIN: Except on that point.

Mr. McGEER: At any rate, the point is not for this committee to consider alone the profit activity of this company. There are two combinations of circumstances that should be considered, namely, the protection of the small money-lender and the creation of an institution that can carry on—

Mr. MARTIN: Not the protection of the small money-lender, surely. We do not want to help him.

Mr. McGEER: The small money-lender.

Mr. MARTIN: Borrower, you mean.

The CHAIRMAN: Order, Mr. Martin.

Mr. MARTIN: I want to get this on the record.

Mr. McGEER: We propose to protect the small money-lender who is legitimately doing business under a charter granted by parliament and who is freed from the competition of the money-lending shark who is not under the protection or supervision of the Finance Department. There is the small money borrower who gets from that type of protected small money-lender under a charter much lower rates and much more effective service than he gets in the field. Now, if you eliminate the incentive of the company to move into that small field by giving 2 per cent on \$500 loans or \$300 to \$500 loans you are nullifying the objective, to some extent, of the real purpose and justification of this legislation. As I say, that has been done in the past. It is something that, I believe, should be remedied.

The CHAIRMAN: Are you ready for the question?

Hon. Mr. STEVENS: What is the question?

The CHAIRMAN: It is moved by Mr. Stevens that the word "five" where it appears in the second line of paragraph 4 be struck out and the word "three" be substituted therefor. Record the vote.

(After the vote was recorded the chairman declared the amendment lost.)

Hon. Mr. STEVENS: Now, Mr. Chairman, my word was called into question on this matter a while ago, and I have the record of to-day's proceedings before me. On page B-7—which does not mean very much except that it is an indication of the reporters' "takes"—the resolution is set forth to which reference has been made as follows: "That all the words after 'that' be deleted from the resolution and the following substituted therefor: this committee begs to report that it has considered bill No. 58 at great length but not being able to arrive at a final decision . . ." and so on. That is not the resolution to which we referred, is it?

Mr. CLEAVER: Could we have Mr. Stevens' second amendment so that we could consider it while he is looking for what he wants in the evidence?

Hon. Mr. STEVENS: Yes. My amendments are in the form of additional clauses.

Mr. VIEN: I think, in that case, we should put the question as amended.

The CHAIRMAN: Yes. We will put the question as amended—clause 3 as amended. Shall it carry?

Hon. Mr. STEVENS: Lost.

The CHAIRMAN: Carried on division; will that suit you?

Hon. Mr. STEVENS: No, sir.

The CHAIRMAN: Very well. We will record the vote. The vote is on clause 3, section 3 as amended.

(After the vote was recorded the chairman declared the amendment carried.)

Hon. Mr. STEVENS: Mr. Chairman, I move that the bill be further amended by adding thereto a section to be section 4, as follows: "The company shall not advertise, print, display, publish, distribute or broadcast or cause or permit to be advertised, printed, displayed, published, distributed or broadcast in any manner whatsoever any statement or representation with regard to the rates, terms or conditions for the lending of money, which is false, misleading or deceptive. The Superintendent of Insurance may order the company to desist

from any conduct which is in violation of the foregoing provisions and may require that rates of charges, if stated, shall be stated fully and clearly to prevent misunderstanding thereof by prospective borrowers."

There are two significant phases to this. May I say, Mr. Chairman, that this is simply a clause which was in the bill submitted or presented to parliament by the company, and this is a clause passed by the Senate, as you know. I am simply asking that it be restored to the bill.

Mr. VIEN: Mr. Chairman—

Hon. Mr. STEVENS: Just a moment, please.

The CHAIRMAN: The company has no objection.

Hon. Mr. STEVENS: Then, I will not delay the committee, Mr. Chairman.

Some hon. MEMBERS: Carried.

The CHAIRMAN: It is the precise wording of the clause in the bill?

Hon. Mr. STEVENS: I clipped it from the bill here.

The CHAIRMAN: Oh, yes.

Hon. Mr. STEVENS: It is the printed form that was in the bill that came from the Senate, but it was deleted by this committee.

Mr. MARTIN: We will vote on that.

Mr. VIEN: I rise to a point of order; I think the motion is out of order, because we struck out clause 6; we voted that clause 6 be struck out.

The CHAIRMAN: Yes.

Mr. VIEN: And this is reintroducing a part of clause 6. We have already voted that it be struck out, and for that reason I suggest that the motion is out of order.

The CHAIRMAN: If the company accepts it, and if Mr. Finlayson accept it.

Mr. JACOBS: As I understand it Mr. Stevens merely asks that the company be not permitted to commit a criminal offence. I do not see that there is anything wrong in saying that they shall not publish misleading and false material.

Motion agreed to.

The CHAIRMAN: Now, Mr. Stevens, is that everything?

Hon. Mr. STEVENS: There is another amendment: Moved by myself, that the bill be further amended by adding thereto as section 5 the following:

The CHAIRMAN: Is that in the old bill?

Hon. Mr. STEVENS: It is a printed clause taken from the old bill.

The CHAIRMAN: What number is it?

Hon. Mr. STEVENS: I think it is clause 11. "If the company shall, in respect of any transaction of loan, wilfully or by an established method of business, directly or indirectly charge, impose upon or demand or receive from or through any borrower any charge whether or not including any interest or rate of interest in excess of the amount or rate authorized by this Act, the company shall, in addition to its liability to any other penalty or to any other consequence, otherwise provided, be liable to be wound up and to be dissolved if the Attorney-General of Canada, upon receipt of a certificate of the Superintendent of Insurance setting forth his opinion that the company has so charged, imposed, demanded or received, applies to a court of competent jurisdiction for an order that the company be wound up under the provisions of the Winding-Up Act, which provision shall in such case apply to the company, as nearly as may be, as if it were an insolvent insurance company."

Mr. VIEN: That is section 11, on page 5.

Hon. Mr. STEVENS: This also is a clause that was in the original bill as presented by the company itself, and as passed by the Senate.

Mr. McLARTY: Under whose jurisdiction is that to be done?

The CHAIRMAN: The Attorney-General.

Hon. Mr. STEVENS: It says, if the Attorney-General of Canada, upon receipt of—

Motion agreed to.

The CHAIRMAN: Shall I report the bill?

Hon. Mr. STEVENS: No.

Mr. VIEN: I move that the bill be reported as amended.

The CHAIRMAN: Mr. Vien moves that the bill be reported as amended. All those in favour say yes; those opposed, no. Record the vote.

Mr. VIEN: Nobody has asked for it.

Mr. MARTIN: I ask for it this time.

The CHAIRMAN: Shall I report the bill as amended? All those in favour, say yes; those opposed, say no.

The vote being recorded the Clerk reported yeas, 13; nays, 6.

The CHAIRMAN: The bill is carried.

Hon. Mr. STEVENS: Mr. Chairman, I wish to say that you were correct in saying that the motion that I made was that the bill stand until this information was filed. I am not going to delay the committee, but the reference as I understood it was that this information was to have been presented. My motion was simply that it should stand, but so far as the question of time is concerned, I am mistaken and you are correct.

The CHAIRMAN: Gentlemen, before you adjourn I desire to thank you all for your very arduous and intelligent work, and for your good humour and good behaviour. Now, a motion to adjourn is in order.

There should be a motion to reprint the bill which has carried.

Motion agreed to.

Mr. VIEN: Before we leave I want to voice the appreciation of members of the committee for the patience and fairness which you have displayed toward all members of the committee.

Some Hon. MEMBERS: Hear, hear.

Mr. TUCKER: And I second that motion.

Mr. WALKER: My clients would also like to thank this committee.

The CHAIRMAN: A motion to adjourn is in order.

The committee adjourned at eleven o'clock p.m.

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